GENERAL INSTRUCTIONS

These instructions apply to all safety and soundness Reports of Examination (ROE) except those targeted reviews of banks included in the Large State Nonmember Bank Onsite Supervision Program.

REFERENCES

Use the following reference material in preparing the ROE:

- The instructions contained herein
- Federal Deposit Insurance Act, FDIC Rules and Regulations, and related statutes and regulations (Prentice-Hall Volumes/FDIC Bank Examiner's Reference CD)
- FDIC and other applicable Statements of Policy
- Instructions for the Preparation of Reports of Condition and Income (Call Reports)
- The Users Guide for the Uniform Bank Performance Report (UBPR)
- DSC Risk Management Manual (Manual)
- General Examination System (Genesys) embedded help files
- Applicable State Statutes and Regulations
- FFIEC Information Technology Examination Handbooks
- Outstanding memoranda
- Financial Institution Letters
- Uniform Financial Institutions Rating System
- Uniform Rating System for Information Technology
- Uniform Interagency Trust Rating System

Unless otherwise specified, complete Report pages according to Call Report Instructions.

Reminder: Changes to definitions, laws and regulations, Call Report treatment, and regulatory policy within the aforementioned references impact the Report. Be aware of the effects of such changes. When significant Report changes have occurred since the previous examination, use footnotes (on the applicable Report pages) to explain the difference(s) between the current Report and the previous Report. Insignificant or minor changes need not be footnoted.

REPORT COMMENTS

Report comments should clearly support the corresponding component rating. Comments should focus on an assessment, rather than a simple description, of a policy, practice, or condition. Comments should explain an examiner's reasoning for assigning a particular rating or making a particular recommendation. Use descriptive subheadings, bulleted or numbered lists, tables, and other such devices as needed to promote readability.

Other general concepts to follow include: perform a complete analysis that formulates a conclusion; identify and assess risks proactively; and use appropriate tone.

Peer Group Information - Written comments may incorporate peer group information for support. Moreover, certain user-defined peer group ratios may be inserted onto the Examination Data and Ratios page.

Apparent Criminal Violations -Do not refer to criminal referrals or to apparent criminal violations in the Report's open section. In a Federal criminal case, defense counsel may inspect the Report upon order of the court. Reports and related material will almost certainly be made available to Federal prosecutors, investigators, and the grand jury. For this reason, confine comments in Reports and workpapers to clear-cut statements of fact. Do not include opinions about the probability of indictment, conviction, or related matters. Comment as specifically as possible and identify who reported the matter and how it occurred. (Do not use such language as "it is reported..."; use such language as "President Scott reported...").

"CONSOLIDATED" VS. "INSTITUTION ONLY"

Complete "Institution Only" schedules only when such schedules are meaningful. "Institution Only" schedules may be meaningful when the following conditions exist:

- Significant subsidiaries make the consolidated statements significantly different from "Institution Only" statements
- Investment in certain subsidiaries represents a large percentage of capital
- Near-failure situations exist
- A significant percentage of the subsidiaries' assets are adversely classified

Since no formal "Institution Only" pages exist, develop such schedules on continuation pages. This flexibility allows examiners to portray "Institution Only" data in a format that reflects desired information. In many cases, a simple detail of the institution's investment in each subsidiary may be appropriate.

REPORT DATES

The Report uses four different dates:

- ***Examination as of Date*** - This date is the financial date (that is, the date in the left column on the Comparative Statements of Financial Condition page) used throughout the Report, generally the most recent quarter-end available for download. For example, if an examination commences on August 3, and June 30 financial data is used, the Examination as of Date is June 30.
- ***Examination Start Date*** - This date indicates when the examination commenced, that is, the date when the examination team begins formal on-site examination of the institution. It is used to monitor Report completion times and compliance with regulatory requirements concerning the length of time between examinations.
- ***Date Examination Completed*** - This date indicates when the examiner formally completes the examination and submits the Report for review. It is used to monitor Report completion and processing times.
- ***Asset Review Date*** - This is the date of the loan review (that is, the date of loan trial balances and ALERT downloads used for asset review). Typically, review of the other real estate portfolio would also be as of this date. The Asset Review Date should be noted on the Confidential-Supervisory Section page or within the Asset Quality comment on the Examination Conclusions and Comments (ECC) page.

Selection of the Examination as of Date and the Asset Review Date - In selecting these dates, consider the length of time between the two dates as well as any material changes which may have occurred between the two dates. When determining the Examination as of Date, consider the meaningfulness of presentation, as well as work productivity. Use the date selected as the Examination as of Date consistently throughout the Report.

Note: When significant changes in the composition of the balance sheet occur between the Examination as of Date and the Asset Review Date, make appropriate comments in the Report. There may be circumstances when a more recent month-end date would better serve as the financial date (rather than the most recent quarter-end).

PAGE ORDER AND NUMBERING

Page order is addressed in the Inventory of Report Pages section.

All pages in the open section are sequentially numbered. The Table of Contents lists the titles of all open section pages and the relevant page numbers; continuation pages are not detailed separately. Sequential numbering continues through the confidential section but is not shown in the Table of Contents.

Generally, do not number the Officer's Questionnaire. However, if the Officer's Questionnaire is included in the Report, numbering may be appropriate when the Officer's Questionnaire is lengthy. In such instances, the letters OQ should precede the number (for example, OQ.1, OQ.2, OQ.3).

SUPPLEMENTAL PAGES

Supplemental pages (non-mandatory pages in the open section of the Report) are used only to provide additional support for conclusions, recommendations, or ratings on the ECC page. **It is important to note that while the Bank of Anytown Report includes all the available supplemental pages, most have been included for format guidance only, not because they were deemed essential support schedules for the Anytown's ECC page.** More precisely, supplemental pages relating to asset quality and earnings are used in the Bank of Anytown to support ECC comments.

ROUNDING

Numbers/Dollar Amounts - In financial schedules, round to the nearest thousand and omit 000. In narrative comments, "M" as an abbreviation for thousands is acceptable. Throughout a Report, round consistently, **including ECC comments.** For example, avoid using $2.5MM, $2,500M, and $2,500,000 interchangeably.

In the Items Subject to Adverse Classification and Items Listed for Special Mention pages, round to the nearest thousand and omit 000 in both the heading and the extended criticized amount (refer to the Bank of Anytown). In narrative comments, the numbers and dollar amounts may be rounded and abbreviated; however, it is acceptable, and often essential, to use precise dollar or numerical amounts to promote clarity and avoid confusion. *Example:* $25M loan secured by a mortgage on an 1,800-square-foot office condominium valued at $31,500 or $17.50 per square foot.

Note: When rounding, minor adjustments may be necessary to balance related totals in the Report.

RATIOS

Generally, round percentages to the nearest hundredth of a percent, especially critical or precise percentages such as Prompt Corrective Action capital ratios in problem institutions. Round noncritical or imprecise ratios to the nearest whole number.

Note: Avoid being overly precise in narrative comments.

ABBREVIATIONS

ECC and Compliance with Enforcement Actions pages: Spell out the complete word or phrase the first time that an abbreviation is used on the ECC and Compliance with Enforcement Actions pages. *Note:* Rounding/abbreviating numbers is addressed above under "Rounding."
Other Report Pages: A list of standardized abbreviations for use on the other Report pages is provided on the back cover of the Report (shown in Appendix A). Spell out the complete word or phrase the first time any abbreviation not on the back cover is used.

OTHER REPORT FORMAT ISSUES

Footnotes: For those Report pages that have a section titled "Footnotes," use this section strictly for footnotes and not for comments.

Dollar signs: Use dollar signs in narrative comments but not in tables.

Commas: Use commas in amounts of 1,000 or more (for example, 1,540).

Negative figures: Enclose all negative figures in parentheses or refer to them as negative numbers in written comments. Reminder: Do not write double negative numbers.

> *Examples:*
> *Correct:* The borrower reports a negative NW of $25M.
> OR
> The borrower reports a NW of ($25M).
>
> *Incorrect:* The borrower reports a negative NW of ($25M).

Writing Style and Grammar: Follow the standards in Appendix B regarding grammar, spelling, hyphenation, dates, and capitalization. Other references such as dictionaries, writer's handbooks, and style guides may also be used.

Names: On the first reference to a person in the Report, generally use the complete first name, middle initial, and last name (for example, Senior Vice President John A. Doe). After the initial reference, an abbreviated name may be used (Senior Vice President Doe) if no confusion with other officers is possible. Be consistent throughout the Report.

Financial Ratios: Financial ratios are taken from the UBPR and are generally automatically downloaded into the Report through the Genesys program. Choose the quarterly UBPR most appropriate for the examination, with the most current data in the left-hand column. Ratios should generally correspond with the Examination as of Date. If UBPR ratios are not available, perform manual calculations with an appropriate footnote stating that calculations were manually performed. Manually generated ratios should be calculated according to the definitions contained in the UBPR Users Guide.

INVENTORY OF REPORT PAGES

REPORT OF EXAMINATION PAGE ORDER

(Mandatory Report Pages are listed in **bold** below)

Page	Section	Mandatory
Cover	**Open**	**Yes**
Table of Contents	**Open**	**Yes**
Examination Conclusions and Comments (ECC)	**Open**	**Yes**
Compliance with Enforcement Actions	**Open**	**Yes, when applicable**
Risk Management Assessment (RMA)	**Open**	**Yes**
Violations of Laws and Regulations	**Open**	**Yes, when applicable**
Information Technology Assessment (ITA)	**Open**	**Yes, when applicable**
Fiduciary Activities Assessment (FAA)	**Open**	**Yes, when applicable**
Examination Data and Ratios (EDR)	**Open**	**Yes**
Comparative Statements of Financial Condition	**Open**	**Yes**
Loans and Lease Financing Receivables	Open	No
Recapitulation of Securities	Open	No
Items Subject to Adverse Classification	Open	No
Items Listed for Special Mention	Open	No
Analysis of Loans Subject to Adverse Classification	Open	No
Analysis of Other Real Estate Owned Subject to Adverse Classification	Open	No
Assets with Credit Data or Collateral Documentation Exceptions	Open	No
Concentrations	Open	No
Capital Calculations	**Open**	**Yes**
Analysis of Earnings	**Open**	**Yes**
Comparative Statements of Income and Changes in Equity Capital Accounts	Open	No
Relationships with Affiliates and Holding Companies	Open	No
Extensions of Credit to Directors/Trustees, Officers, Principal Shareholders, and Their Related Interests	Open	No
Signatures of Directors/Trustees	**Open**	**Yes**
Officer's Questionnaire	Open	No
Bank Secrecy Act Officer's Questionnaire	Open	No
Confidential – Supervisory Section	**Confidential**	**Yes**
In-House Information Technology	**Confidential**	**Yes, when applicable**
Trust Supervisory Section (Short Form)	**Confidential**	**Yes, when applicable**
Directors/Trustees and Officers	**Confidential**	**Yes**

INTERNATIONAL REPORT PAGES

Examination Data and Ratios (International)	**Open**	**Yes, when applicable**
Transfer Risks Subject to Classification or Comment	**Open**	**Yes, when applicable**
Analysis of the Country Exposure Management System	**Open**	**Yes, when applicable**
Selected Concentrations of Country Exposure	**Open**	**Yes, when applicable**

Note: Use the EDR (International) page, in lieu of the standard EDR page, in the core section of the Report. Place International Report Pages immediately after the Items Subject to Adverse Classification and Items Listed for Special Mention pages.

EXAMINATION CONCLUSIONS AND COMMENTS (ECC)

PURPOSE

The ECC page should convey all significant examination conclusions, recommendations, and management responses to the primary readership of the Report – the Board of Directors and institution management. This page will always include an assessment and support for each CAMELS component. This schedule should also serve as a guide for corrective action of all significant examination recommendations. Completion of this schedule is the final step in the examination process. A full understanding of the institution's overall condition is a prerequisite to its preparation.

In general, duplication of comments should be minimized between the ECC page and other schedules included within the Report, especially the RMA page. However, some duplication is anticipated within the ECC page as certain types of examination issues, like an underfunded ALLL, can materially impact multiple component rating assessments.

COMMENT LENGTH AND CONTENT

Comments should be of sufficient length to support the conclusions reached and recommendations presented. For example, the ECC page commentary for a stable 1-rated component would be fairly concise, while the length of commentary would be progressively more detailed for 2- through 5-rated components.

PAGE STRUCTURE AND ORDER

Numerical Ratings

Uniform Financial Institutions Rating System – As formatted by Genesys, the top of the first page includes a grid to display the component and composite ratings for the current and two prior examinations. Since definitions of all five composite ratings are printed on the inside of the Report front cover, it is unnecessary to include the definition here. Definitions of the component ratings are publicly available in the FDIC Statement of Policy on The Uniform Financial Institution Rating System, and can be provided separately to management upon request.

Previous examination dates should correspond to those noted elsewhere in the Report. Identify State examinations with "S" following the date; designate other agency examinations with appropriate abbreviations.

Condition Summary

The first narrative comments (after the composite and component ratings grid) will be a summary of the overall condition of the bank, briefly addressing the composite and each component area. While this comment should be concise (often, two or three sentences will be sufficient), it is recognized that examinations of institutions presenting more than normal risk may necessitate somewhat more extensive narrative. However, in such cases, the focus should remain on a **summary** of the bank’s condition; bullet points or other summarization techniques can be an effective means of concisely yet informatively summarizing the key conclusions.

Compliance with Enforcement Actions

Include a summary of outstanding formal or informal action derived from the detailed analysis presented on the Compliance with Enforcement Actions page. In the case of an Order to Cease and Desist, the summary should also discuss the unsafe or unsound practices cited in the "Notice of Charges" which precipitated the enforcement action. Close with the examiner's opinion as to whether each of the practices or conditions has been discontinued or still exists. When applicable, this summary should be the first comment after the summary comment. However, the exact order should depend on its relative importance.

Reminder: Only the FDIC's Board of Directors is authorized to make a finding of "unsafe or unsound banking practices." Therefore, do not use the statutory words "unsafe or unsound" in comments concerning management's practices. However, certain factual events allow examiners to note that an institution is in an unsafe and unsound condition. Synonyms and other descriptive terms such as "undesirable, unacceptable, or objectionable" are permissible when commenting on unsafe and unsound practices.

Prompt Corrective Action - Present a summary of Prompt Corrective Action (PCA) provisions derived from the detailed analysis presented on the Compliance with Enforcement Actions page**.**

CAMELS Components

Each CAMELS component must be addressed on the ECC page. Address in order of priority and risk, although some latitude is allowed to facilitate clear and effective communication. After each component heading, indicate the rating assigned (e.g. Capital – 1). The narrative for each component must include an assessment and support of the rating assigned. If applicable, examiner recommendations and management responses would also be detailed here. When examination recommendations are included, rationale should be provided. Refer to the Basic Examination Concepts and Guidelines section of the DSC Risk Management Manual of Examination Policies (Manual) for rating definitions and specific items to consider when evaluating each component. Also refer to other related sections of the Manual when analyzing component areas.

The length and level of comment detail should be consistent with the rating assigned; that is, generally brief comments for 1- and 2-rated components and progressively more detailed for 3-, 4-, and 5-rated components. As the commentary expands to properly discuss the 3-, 4-, or 5-rated components, it is especially important that examiners use effective organization and presentation techniques, so that examination findings and recommendations are communicated clearly. Subheadings and bullet points are encouraged to improve readability. Spacing and modified text attributes (bold, italics, etc.) should be used to draw attention to management responses, as appropriate. In particularly lengthy comments on a CAMELS component, it may be helpful to begin the narrative with a concise summary or bullet points of the major issues to be covered under that component.

Disposition of Assets Classified Loss

When appropriate, this would be discussed within the Asset Quality segment of the ECC page.

Note: Except in formal cases under Section 8 of the FDI Act, make a request for the institution to charge off a portion of loans classified Doubtful only when State law or policy requires. Follow guidance contained in the Securities and Derivatives section of the Manual when securities are adversely classified Doubtful or Loss. Other asset categories against which valuation reserves are not normally maintained require a judgment regarding a recommendation for charge-off.

Note: Comments should not include recommendations regarding acquisition or disposition of specific assets.

Specialty Examinations

Concurrent specialty examinations submitted under separate cover (Information Technology (IT), Municipal/Government Securities Dealers, Transfer Agent, or Trust) – Unless the following exception applies, do not reference these examinations on the ECC page. Exception: Material weaknesses disclosed in these separate, concurrent, specialty examinations may be summarized on the ECC page, or, in such cases, the reader should at minimum be instructed to refer to the separate specialty examination Report. Such summaries or references should generally be made as the last topic prior to the "Meetings with Management and the Board of Directors" discussion, unless the significance of the findings warrants higher priority.

Concurrent specialty examinations included as part of the safety and soundness Report (IT and/or trust) – Findings of the IT review will be discussed on the Information Technology Assessment page. Comments and conclusions concerning trust activities of institutions eligible for embedded Report treatment will be included on the Fiduciary Activities Assessment page. Although no narrative on the ECC page is generally necessary concerning these examinations, brief comments may be included when significant issues exist.

Bank Secrecy Act (BSA)

Significant deficiencies in the BSA program, or significant violations of BSA-related laws or regulations, should be discussed on the ECC page. BSA issues of lesser significance may, as appropriate, be discussed in Question #5 of the RMA page.

Meetings with Management and the Board of Directors

If a meeting with the institution's Board of Directors is held, make a concise presentation of the topics discussed and management's commitments or responses. Discussion of specific management actions, commitments, or responses contained in preceding comments need not be repeated. However, include enough detail to make the comment informative and to create a record of management's commitments. Include the date of the meeting and a listing of attendees. If no meeting with the Board of Directors is held, summarize the meeting held with senior management at the close of the examination. Generally, this comment should be included after CAMELS commentary.

Board of Directors Reminder to Review and Sign the Report of Examination

This comment, which should be under a separate heading, is the last narrative item on the ECC page. The comment should remind the Directorate of its responsibility to review the entire ROE and remind the Board that each Director must sign the Signatures of Directors/Trustees page.

Examiner’s Signature and Reviewing Official’s Signature and Title

The examiner's signature (signatures if joint) and the reviewing official’s signature and title should be the last items on the ECC page.

COMPLIANCE WITH ENFORCEMENT ACTIONS

PURPOSE

Use this schedule to factually present an institution's adherence to formal and informal administrative actions and to Prompt Corrective Action provisions.

WHEN TO INCLUDE

Include the schedule when an institution has one of the following outstanding actions:

Formal Action

- Order to Cease and Desist
- Capital Directive
- Continuing Condition
- Other formal administrative action of a State authority or other regulatory agency

Continuing Condition

Create a separate page entitled “Compliance with Ongoing Conditions” for ORDERs Granting Approval for Deposit Insurance. This page will follow the Compliance with Enforcement Actions page (if formal or informal actions are in place) or the ECC page.

Continuing conditions other than the ORDER Granting Approval for Deposit Insurance should not be included on the Compliance with Enforcement Action page. For example, application for, or compliance with, Part 362 powers should be addressed under Question #5 of the RMA page.

Informal Action

- Memorandum of Understanding
- Board Resolution
- Other informal administrative action of a State authority or other regulatory agency

Prompt Corrective Action

When applicable, address restrictions or requirements imposed through Prompt Corrective Action here as well as the institution's adherence to such restrictions or requirements.

PAGE STRUCTURE

Begin with a brief statement leading into the action’s provisions. Detail the type of, parties to, and effective date of the action. At the first examination after the issuance of a formal or informal administrative action, the action should generally appear verbatim on this page. If the action is lengthy and no court action is contemplated, it may be paraphrased if Regional Office practices permit.

Follow each provision with an examiner assessment. Address each provision of the action, whether or not time limits have expired, documenting in each instance, ***in a factual manner and without statement of opinion,*** the steps taken by the institution to comply with the action. State if no steps to comply have been taken. Never use conclusory language such as, "The institution is in compliance/partial compliance/substantial compliance/noncompliance with this provision." *Note:* Use bold print, indentation, or similar techniques to differentiate between the action's provisions and the examiner's assessments.

At subsequent examinations, provisions may be paraphrased or summarized. Address only those points of the action that the institution had not complied with at the previous examination, requirements of a continuing nature, and those on which the time limits had not previously expired. When all provisions have been satisfied, and the only remaining provisions are those of a continuing nature having no expiration date, remarks may be limited to a short paragraph concerning the continuing requirements of the action.

Note: In all cases, carry forward a summary of the institution's adherence to any outstanding formal actions to the ECC page.

PROMPT CORRECTIVE ACTION

When an institution is subject to Prompt Corrective Action (PCA), summarize the applicable provisions of PCA. Follow each provision with an "examiner assessment." Carry forward a summary of the institution's adherence with PCA requirements/restrictions to the ECC page.

RISK MANAGEMENT ASSESSMENT

PURPOSE

This page is used to concisely detail risk management deficiencies, recommendations, and related management responses that do not rise to the level of significance to be detailed on the ECC page, but are material enough to include within the Report. Significance can be determined by how relevant each deficiency and recommendation is in relation to supporting/justifying the CAMELS component ratings assigned.

GENERAL

Each question can be answered three ways: “Yes,” “No,” or “Generally, yes.” In 1- and 2-rated institutions, it is expected that most answers will either be “Yes” or “Generally, yes.”

“Yes” answers require no further narrative.

“Generally, yes” answers may be appropriate when risk management weaknesses are identified or apparent violations are cited that do not rise to the level of significance to be addressed on the ECC page. Comments regarding these items should be concise and include management’s response.

“No” answers will primarily be supported by commentary on the ECC page, **not with commentary on the RMA page.** (The RMA page comment would simply highlight the weakness and refer the reader to the ECC page.)

Note that in some cases, coverage of related matters will be split between the ECC and RMA pages. *Example:* A bank’s Loan Policy is inadequate for several primary reasons. In addition, a number of less significant policy-related weaknesses are identified that, alone, would not justify considering the Policy inadequate. In this scenario, an appropriate RMA Question #2 response is detailed below.

> *No. As indicated on the Examination Comments and Conclusions (ECC) page, underwriting and credit administration relating to acquisition and development lending are deficient. Additionally, the Loan Policy could be strengthened by:*
>
> - *Addressing minimum documentation requirements relating to home lending;*
> - *Developing minimum liquidity and net worth requirements for unsecured lending; and,*
> - *Modifying accounts receivable lending guidance to be consistent with actual practices.*
>
> ***President Smith agreed to modify the Loan Policy.***

RISK MANAGEMENT QUESTIONS

Note: The listings shown under each question are for illustrative purposes only and are not all-inclusive.

1. ***Are risk management processes adequate in relation to economic conditions and asset concentrations?***

Consider the following as appropriate:
- Local economic conditions (including real estate markets) and trends
- Trade area demographics
- Loan demand and diversification strategies
- Industry or economic sector concentrations

Note: The level of risk management process formality should be consistent with the existing and projected size and complexity of the institution. For example, written policies relating to economic conditions may not be necessary in a stable 1- or 2-rated community bank.

2. ***Are risk management policies and practices for the credit function adequate?***

Consider the following as appropriate:
- Loan policy and administration
- Real estate appraisal policy
- Documentation deficiencies
- Lending authorities
- Loan committee structure
- Loan approval process
- Charge-off, nonaccrual, environmental risk policies
- Adherence with lending-related statutes
- Out-of-area lending
- Loan participations
- Subprime lending programs
- Credit card lending programs
- Underwriting standards
- Renewal and extension practices
- Internal and external loan review program
- Credit grading system
- ALLL methodology

Additional guidance regarding this area is found in the Loans section of the Manual.

3. ***Are risk management policies and practices for asset/liability management and the investment function adequate?***

Consider the following in relation to the institution's existing and projected risk profile (as appropriate):
- Asset/Liability management strategies, policies, and practices
- Liquidity strategies, policies, and practices
- Investment strategies, policies, and practices
- Investment authorities
- Committee structure(s)
- Use of outside advisory services

Additional guidance regarding this area is found in Sections 3.3, 5.0-4, and 7.0-4 of the Manual.

4. ***Are risk management processes adequate in relation to, and consistent with, the institution's business plan, competitive conditions, and proposed new activities or products?***

Consider the following as appropriate:
- Strategic planning process including capital planning
- Management succession
- New activities or products
- Competitive environment
- Feasibility analysis
- Budgeting process
- Consistency of present business plan with that provided with the Application for Federal Deposit Insurance (de novo institutions)
- Consistency of proposed new activities or products with the business plan provided with the Application for Federal Deposit Insurance (de novo institutions)
- Fidelity insurance coverage

Additional guidance regarding this area is found in Sections 4.2, 5.0-4, and 12.0 of the Manual.

5. ***Are internal controls, audit procedures, and compliance with laws and regulations adequate (includes compliance with the Bank Secrecy Act [BSA] and related regulations)?***

Consider the following as appropriate:
- Independence, scope and frequency of internal/external audit programs
- Internal control practices and procedures (including wire transfer, unless covered on the Information Technology Assessment page)
- Management information systems
- Audit committee composition
- Management's responses to previous regulatory and audit recommendations
- Accounting issues/Call Report errors
- Fidelity insurance coverage
- Compliance with the Bank Secrecy Act and Financial Recordkeeping regulations
- Compliance with laws and regulations including continuing conditions other than the ORDER Granting Approval for Deposit Insurance (which is covered on the Compliance with Enforcement Actions Page)

When apparent violations are cited, the RMA page should only briefly address the topic. Primary commentary regarding the apparent violations should be kept on the Violations of Laws and Regulations page, and secondarily, the ECC page, as appropriate.

Note: BSA comments are not required here if there are no BSA concerns. If there are minor deficiencies or if the program can be enhanced by implementing certain recommendations, then they should be discussed on this page. A BSA scope comment should be included on the Confidential – Supervisory Section page in all cases.

Additional guidance regarding this area is found in Sections 4.3, 4.5, 4.6, and 8.0 of the Manual.

6. ***Is board supervision adequate, and are controls over insider transactions, conflicts of interest, and parent/affiliate relationships acceptable?***

Consider the following as appropriate:
- Ownership/Control of the institution
- Quality and completeness of Board reporting
- Committee structure adequacy to the extent not addressed in prior questions
- Directorate attendance issues

- Transactions with insiders, affiliates, holding companies, and parallel-owned banking organizations
- Unusual or nontraditional activities conducted through affiliates
- Policies and procedures regarding conflicts of interest and ethical conduct
- Affiliate/subsidiary relationships
- Excessive compensation and Director's fees
- Key man life insurance/deferred compensation

Additional guidance regarding this area is found in Sections 4.2, 4.4, and 11.0 of the Manual.

VIOLATIONS OF LAWS AND REGULATIONS

PURPOSE

This page is used to communicate details regarding apparent violations (violations) of laws or regulations, as well as contraventions of Statements of Policy. Include this schedule when any such violations or contraventions are cited.

GENERAL

Comments on the Violations of Laws and Regulations page may, but need not automatically, be carried forward in summary form to the RMA or, if more significant, ECC page. The materiality of the violation, bank management's response to the violation, and the examiner's intentions regarding civil money penalties and/or enforcement actions can help determine whether ECC page comments are appropriate.

Because of possible administrative or judicial review, all violations are considered "apparent" violations.

Generally, list violations in order of importance, with consideration given to the substance of the violation and its severity.

FORMAT OF VIOLATION AND CONTRAVENTION OF STATEMENT OF POLICY WRITE-UPS

Headings - A descriptive heading should precede each scheduled violation or group of violations.

Citation of Violation - When scheduling violations of Federal or State law, it is generally necessary to cite the specific section or subsection of the regulation deemed to have been violated (for example, Section 328.2 or Section 329.1(e)). Conversely, any reference to a general regulation dealing with a particular subject is cited by part number (for example, Part 329). Also describe the specific requirements of the section cited. This can be accomplished either by directly quoting the section, or, if lengthy, by paraphrasing. Comments should be as precise as circumstances warrant.

Description of Violation - Describe the specific activity(ies), transaction(s), or circumstances giving rise to the apparent violation. For example, "The following loans are in apparent violation of this section because they were extended without the prior approval of the full Board of Directors. Detailed descriptions and extensive remarks on violations involving certain assets, such as adversely classified loans, may be unnecessary when other schedules are referenced. Reference the appropriate Report page if any asset illegally held is subject to adverse classification or Special Mention.

Management Comments and Corrective Action - Include management's comments and commitments, or lack thereof. This should include both management's explanation for why the violation occurred, and any commitments for corrective action planned. Clearly indicate any promise of restitution by offending individuals.

Director Approval - To reflect Director responsibility and possible liability, it can be useful to include the names of Directors who approved assets held in nonconformance with applicable State and Federal laws and regulations or similar apparently illegal transactions. While this is not necessary in all violation write-ups, it is essential when they may result in the imposition of civil money penalties. In such cases, show the date Director approval was granted, and include the names of dissenting Directors. Follow this procedure even if approval consisted merely of ratifying a group of loans identified only by numbers. Generally, also include Director approval information when the apparent violation(s) involves insider transactions, whether or not civil money penalties may be recommended.

Summary of Technical Violations - When several technical violations exist, examiners may summarize the individual violations, listing names or other identifying characteristics of each violation. Provide details to management. Also retain them in the examination workpapers.

LEGAL LENDING LIMIT VIOLATIONS

Generally, courts have held that only the loan(s) that cause a borrower's debt to exceed the legal limit is illegal. Therefore, consider only the advance(s) that cause the excess over the legal limit a violation. However, the State law or practice regarding this matter should prevail.

UNCORRECTABLE VS. REPEAT VIOLATIONS

Refrain from continuing to cite violations that "cannot be corrected." For example, violations of the prior approval requirements of Regulation O are not correctable and should not continue to be cited at subsequent examinations. However, do cite repeat violations (those that could have been corrected but were not).

CIVIL MONEY PENALTIES

Except in the most serious situations, do not refer to the FDIC's power to impose Civil Money Penalties (CMPs) or to the maximum dollar amount of CMPs that may be imposed. If repetition or noncorrection of the violations is noted at subsequent examinations, examiners may comment that violations are potentially subject to CMPs, even though no such present recommendation is contemplated.

Note: When CMPs are recommended, home mailing addresses of all Directors and any other individuals involved in the violation should be included in the Confidential-Supervisory Section.

CONTRAVENTIONS OF FDIC STATEMENTS OF POLICY:

List contraventions of Statements of Policy (includes joint interagency statements) after cited violations under the subheading "Contraventions of Statements of Policy."

VIOLATIONS OF PART 325 VS. CONTRAVENTIONS OF FDIC STATEMENTS OF POLICY

- Violations of the Part 325 leverage capital standard are violations of a regulation.
- Failure to meet the Risk-Based Capital guidelines is not a violation of Part 325, but is a contravention of an FDIC Statement of Policy.

Reference: Violations of Laws and Regulations section of the Manual

INFORMATION TECHNOLOGY ASSESSMENT (ITA)

PURPOSE

With the release of the IT-MERIT and IT General Work Program, all financial institutions are classified according to their technology risk profile (I, II, III, or IV). Furthermore, all institutions receive, at a minimum, an IT composite rating. For embedded IT examinations, the ITA page should convey assigned IT composite and/or component rating(s), as well as all significant IT examination conclusions, recommendations, and management responses.

WHEN TO INCLUDE

In general, IT findings are embedded within the risk management ROE, using the ITA page, unless a separate cover IT ROE is required. A separate cover Report is required for:

- Institutions with a composite rating of 3, 4, or 5 at the **current** IT examination;
- Independent data centers or institutions that perform core data processing services for other FDIC-insured financial institutions (including affiliated institutions); or
- Type IV IT examinations.

ASSIGNING AND DISCLOSING RATINGS

The following table summarizes outstanding guidance regarding assigning and disclosing ratings under the Uniform Rating System for Information Technology (URSIT).

Assign and Disclose –	**In These Situations -**
Composite URSIT Rating Only	• Type I examinations • Type II examinations if all component ratings warrant a 1 or 2 rating
Full URSIT Rating	• Type II examinations if any component rating or the composite rating warrants a 3, 4, or 5 (Note that a **composite** rating of 3, 4, or 5 would require a separate cover IT Report.) • Type III examinations • Type IV examinations (requires a separate cover IT Report)

PAGE STRUCTURE AND ORDER

Numerical Ratings

The ITA page, as formatted by Genesys, includes a grid at the top of the first page to display the component and composite ratings for the current and two prior IT examinations. Ratings for the current examination should be assigned and disclosed based on the guidance summarized in the above table. Prior examination ratings shown should reflect ratings disclosed at those examinations. For example, even if the current examination only requires a composite rating, if a prior examination disclosed a full URSIT rating, the full rating should be shown for that prior examination.

Below the grid, the examiner should include the appropriate composite rating paragraph, as taken from the Uniform Rating System for Information Technology.

Required Comments

Scope of Examination – Include a brief statement outlining the IT examination scope/areas reviewed. This should include the scope of review covering the bank's efforts to comply with Interagency Guidelines Establishing Standards for Safeguarding Customer Information (Appendix B to Part 364 of the FDIC Rules and Regulations. It is **not** necessary to include a detailed description of the bank's IT functions.

Supporting Comments – Comments should be prepared on an "exception only" basis as much as possible; however, they should support the ratings assigned and recommendations presented, and document management's responses to recommendations. Address issues in order of priority and risk. Significant issues should be brought forward to the ECC page. Use descriptive subheadings, bulleted or numbered lists, and other such devices as needed to promote readability. For example, component ratings paragraphs would be appropriate when full URSIT ratings are assigned.

Management Discussions – Identify bank officials with whom IT operations and examination findings were discussed.

FIDUCIARY ACTIVITIES ASSESSMENT (FAA)

PURPOSE

For embedded trust examinations, the FAA page should convey trust composite and component ratings, as well as all significant trust examination conclusions, recommendations, and management responses. Embedded trust Reports also include a Trust Supervisory Section, discussed later in these Report of Examination Instructions.

WHEN TO INCLUDE

Trust departments with $50 million or less in total trust assets, with a composite rating of 1 or 2, that meet the criteria below, are eligible for the Trust MERIT (T-MERIT) program and using the embedded FAA page to report examination findings. The only exception is that a full trust Report is required for examinations that are not conducted concurrently with safety and soundness examinations, regardless of whether T-MERIT guidelines are used. The additional criteria that must be met are:

- No significant change in risk profile
- Stable management
- No common or collective investment funds
- No component rating of 3, 4, or 5

Citing an apparent violation does **not** preclude using the FAA page, since violation(s) could be included on the Violations of Laws and Regulations page. Also, assigning contingent liabilities, potential losses, or estimated losses, or using the Accounts and Matters Subject to Comment or Criticism page does not preclude using this page. Comments on these issues can be made either on the FAA page or on a blank Report page as necessary.

To allow flexibility, Regional Directors may authorize using the embedded trust pages for departments with $50 million or less in total trust assets, but that do not otherwise qualify for the T-MERIT program. Refer to your region's guidance for additional information.

Note: If a trust department meets the T-MERIT guidelines but is excluded from the program by the Field Supervisor (FS) or Supervisory Examiner (SE), the reason(s) for exclusion should be discussed in the Pre-Examination Planning memo (if known before the examination starts), and on the Trust Supervisory Section page.

PAGE STRUCTURE AND ORDER

Numerical Ratings

The FAA page includes a grid at the top of the first page to display the component and composite ratings for the current and two prior trust examinations. Below the grid, the examiner should include the appropriate composite rating paragraph, as taken from the Uniform Interagency Trust Rating System (UITRS).

Required Comments

Scope of Examination – Include a brief statement outlining the trust examination scope/areas reviewed.
Supporting Comments – Comments should be prepared on an "exception only" basis as much as possible; however, they should support the ratings assigned and recommendations presented, and document management's responses to recommendations. Address issues in order of priority and risk. Significant issues should be brought forward to the ECC page. Use descriptive subheadings, bulleted or numbered lists, and other such devices as needed to promote readability.

Management Discussions **–** Identify bank officials with whom trust operations and examination findings were discussed.

OTHER

Examiners will continue to have management complete the Trust Officer's Questionnaire and the Statement of Trust Department Assets and Liabilities, which should be retained in the examination workpapers. Significant issues concerning trust matters should be brought forward to the Examination Conclusions and Comments page of the safety and soundness Report.

EXAMINATION DATA AND RATIOS (EDR)

PURPOSE

The EDR page is included in all examination Reports. The page includes various data and ratios to supplement the examiner's evaluation of capital, asset quality, earnings, and liquidity.

SUMMARY OF ITEMS SUBJECT TO ADVERSE CLASSIFICATION

Asset and contingent liability classification information is entered through Genesys.

Other Real Estate - General Reserves

The other real estate figure on the Comparative Statements of Financial Condition page is net of general valuation reserves, and adverse classifications are gross of general valuation reserves. As such, total other real estate classifications may be greater than the amount of other real estate presented on the Comparative Statements of Financial Condition page.

Contingent Liabilities

Contingent liabilities subject to adverse classification consist only of Category I contingent liabilities.

FINANCIAL PERFORMANCE AND CONDITION RATIOS

The standard ratios included on the page are derived from both examination results and quarterly data obtained from Call Reports and the UBPR. When Call Report data is used, ratio calculations are consistent with definitions contained in the UBPR User's Guide. All of the standard data and ratios on the EDR page is automatically calculated and populated by Genesys.

Selection of Ratios

All data and financial condition ratios in the Asset Quality and top portion of the Capital sections of the page are based on results from the current and prior two examinations (if applicable). For the last three standard ratios under Capital, and all data in the Earnings and Liquidity sections, the left-most column will tie to the Examination as of Date of the current examination. The information displayed in the adjacent three columns is user-defined. When selecting the period and type of information displayed in these columns (whether institution or peer), select the data that is most supportive of ECC page conclusions regarding the level and trend of the institution's capital, earnings, and liquidity.

One user-defined ratio can be added within each component section of the page. Any ratio can be added so long as it provides support to related ECC page comments. Ratios for prior examinations or periods that are not readily available can be completed as NA (Not Available), or if relevant, may be calculated based on current methodology.

COMPARATIVE STATEMENTS OF FINANCIAL CONDITION

PURPOSE

This schedule presents a snapshot of the institution's balance sheet. It is not intended for financial analysis. Use the institution's Report of Condition, UBPR, and other sources for balance sheet analysis.

GENERAL

Prepare this schedule according to Call Report Instructions. As Call Report Instructions change, additional Call Report line items, other than those listed below, may need to be included in the various asset and liability categories.

Show all asset categories net of specific and general valuation reserves, except Total Loans and Leases, which has a separate line item for general valuation reserves.

DATES

Left Column - In the left column, place the date for which financial data is used for examination financial review (the Examination as of Date). Generally, it will be the most recent quarter-end; however, month-end or another date may be more appropriate when circumstances dictate.

Right Column - The right column should usually detail information for the year-end prior to the financial review date shown in the left column. However, when desired, substitute a different date, such as the “as of” date of the prior examination. If using a date other than the previous examination date, ensure that information for the prior date follows Call Report guidelines.

At the first examination of a new institution, you may use the right column to display a projected balance sheet structure. If this information is not useful, leave the right column blank. **Footnote when the institution opened for business.**

ASSETS

Allocated Transfer Risk Allowance - If the institution has an Allocated Transfer Risk Allowance, include it in the Allowance for Loan and Lease Losses and footnote it.

Total Earning Assets **–** This figure is consistent with the definition in the UBPR.

Other Assets - The following items, which have their own line items in Call Report Schedule RC, are included in Other Assets in this schedule:

- Investment in unconsolidated subsidiaries and associated companies
- Customer's liability to this bank on acceptances outstanding

LIABILITIES

Other Borrowed Money **–** Includes demand notes issued to the United States Treasury, mortgage indebtedness, obligations under capitalized leases, and Federal Home Loan Bank Advances

Other Liabilities - The line item "Bank's liability on acceptances executed and outstanding," which is listed in Call Report Schedule RC, should be included in "Other Liabilities."

EQUITY CAPITAL

Perpetual Preferred Stock - Include any related surplus.

Common Equity Capital - Common Equity Capital equals the sum of common stock, surplus, undivided profits and capital reserves, and cumulative foreign currency translation adjustments less net unrealized losses on marketable equity securities and net worth certificates.

Other Equity Capital **–** Refer to Call Report Instructions.

OFF-BALANCE SHEET ITEMS

Off-Balance Sheet Items here correspond to those listed on Call Report Schedule RC-L, although Schedule RC-L includes further breakdowns. If additional categories are needed, space is available below Other Off-Balance Sheet Items.

Include only Category I contingent liabilities (contingencies which give rise to accompanying increases in assets if the contingencies convert into actual liabilities). Consequently, do not include contingent liabilities such as pending litigation. Category II contingent liabilities (those that are not expected to result in an increase in assets if converted to actual liabilities such as pending litigation) would be detailed and discussed under the financial aspect most significantly impacted (for example, capital, management, earnings, or liquidity). If more than one financial aspect is impacted, then the other aspects should briefly reference the contingencies and cross-reference as needed.

FOOTNOTES

Use this section strictly for footnotes, not comments.

LOAN AND LEASE FINANCING RECEIVABLES

PURPOSE

The purpose of this schedule is primarily for past-due and nonaccrual loan analysis. This schedule is not intended for loan composition analysis. Review the institution's internal records, Call Report, and UBPR to gain a thorough understanding of the composition of the loan portfolio.

GENERAL

Complete this schedule according to Call Report Instructions.

Percentages - Round percentages to the nearest whole percent in the loan portfolio section and to the nearest hundredth percent in the past-due and nonaccrual section.

Dates - The examiner has the flexibility to use either the same or different dates for the loan portfolio category section and the past-due and nonaccrual section. The loan category date will usually be the Examination as of Date; the past-due/nonaccrual date should normally correspond with the asset review date.

Note: To obtain technically correct past-due and nonaccrual ratios, both dates should be the same. However, when the asset review date is different from the Examination as of Date, loan category breakdowns as of the Examination as of Date are acceptable, even though technical precision is not obtained. If significant loan portfolio changes have occurred since the Examination as of Date, prepare the loan portfolio section as of the asset review date.

LOAN PORTFOLIO BREAKDOWN

All Other Loans and Leases - This item includes overdrafts.

Note: Gross loans and leases per the Call Report may actually be total loans and leases (gross loans and leases less unearned income). Call Report Instructions encourage but do not require institutions to Report loan categories net of unearned income. Using total loans is acceptable when total and gross figures are not substantially different and/or if unearned income is difficult to separate from loan categories.

PAST-DUE AND NONACCRUAL LOANS AND LEASES

The two past-due columns and the nonaccrual column correspond to information in Call Report Schedule RC-N. Refer to the instructions for Schedule RC-N and the Glossary of the Call Report Instructions under "nonaccrual status."

Note: The two past-due columns are only for loans that are past due and still accruing interest. The nonaccrual column may contain current as well as past-due loans.

Total Past Due and Accruing - This column is the sum of the previous two columns within each category.

Percent of Category Columns - The "Percent of Category" column calculates the ratio of past-due and accruing loans to the respective loan category. The "Nonaccrual Percent of Category" column calculates the ratio of nonaccrual loans to the respective loan category. *Note:* The totals for these two columns is not the addition of the ratios above. The column totals are the total past due and accruing and nonaccrual dollar amounts as a percent of gross loans and leases. The total past due and accruing ratio plus the total nonaccrual ratio equals the Past Due and Nonaccrual Loans and Leases/Gross Loans and Leases ratio shown on the Examination Data and Ratios Page.

Note: The percent of categories columns should not add to 100 percent unless the entire loan portfolio is past-due or on nonaccrual.

RESTRUCTURED LOANS AND LEASES

Memorandum: Restructured Loans and Leases - Include restructured loans here only if they are past due and accruing or on nonaccrual. These restructured loans are included in the above past-due and nonaccrual totals. Footnote restructured loans that are not past due and accruing or on nonaccrual.

Restructured loans and leases are also known as renegotiated troubled debt per FAS 15. These loans have been granted concessionary terms (for example, reduction in interest, reduction in principal, extension of maturity date) primarily because of deterioration in the borrower's financial position.

The following loans are not considered renegotiated troubled debt:

- A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk
- A loan which was a renegotiated troubled debt which has, subsequent to its restructuring, been assumed by a financially sound, unrelated third party
- A loan to purchasers of ORE which, to facilitate disposal, is granted at contract rates lower than market rates for loans of similar risk

References: Financial Accounting Standards Board Statement No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings* (FAS 15)
Call Report Instruction Glossary under "Troubled Debt Restructurings"

FOOTNOTE

Use this area to clarify items in the above sections. Do not use it to detail loan categories. A continuation page may be used if it is pertinent to break down loan categories (that is, construction, commercial real estate, 1- to 4-family residential).

RECAPITULATION OF SECURITIES

PURPOSE

The purpose of this schedule is primarily for analyzing the general composition of a bank's investment portfolio, as well as any appreciation or depreciation in securities. Review the institution's internal records, Call Report, and UBPR to gain a thorough understanding of the composition and quality of the investment portfolio.

GENERAL

Complete this schedule in accordance with the Call Report Instructions for Schedule RC-B and the Supervisory Policy Statement on Securities Activities.

Rounding - Round percentages to the nearest hundredth of a percent.

Trading Account Assets - Do not include trading account assets, other than as a footnote.

SUB-INVESTMENT QUALITY/INVESTMENT QUALITY

This schedule allows for both investment quality and sub-investment quality securities to be detailed for States and Political Subdivisions, Mortgage-backed Securities, Other Debt Securities, and Equity Securities. When applicable, schedule sub-investment quality securities immediately below the appropriate line item. For instance, if an institution has a sub-investment quality other debt security (other domestic debt), add a line item titled "Sub-investment Quality Other Domestic Debt Securities" directly below Other Domestic Debt Securities. The manually-created "Sub-investment" line items will not appear unless a sub-investment quality security exists.

FAIR VALUE AND ESTIMATED FAIR VALUE

"Fair Value" is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

When the pricing of all issues within one class is impractical, enter the book value of the class of security involved in the column headed "Fair Value." Footnote such instances as "estimated at book value." This treatment is appropriate when the institution faces no problems in its securities account or is not otherwise burdened with serious asset, liquidity, or capital problems. Otherwise, obtain market value or the best estimate thereof. Footnote any estimations.

ASSET-BACKED SECURITIES

Asset-backed securities are securities backed by assets other than 1- to 4-family residential properties. (For example, securities backed by credit card receivables, home equity lines, automobile loans, other consumer loans or commercial and industrial loans). Footnote, if appropriate, the type of assets securitized if other than those previously listed.

FOOTNOTE

Use the footnote section to clarify any line items on the schedule. When applicable, include the following items here:

- Trading account securities, broken out between high-risk mortgage securities and all other securities
- Book value for estimated market value for any security

References: Call Report Instructions for Schedule RC-B
Call Report Glossary, particularly
1) Coupon Stripping, Treasury Receipts, and STRIPS
2) Marketable Equity Securities
3) Participation in Pools of Securities
4) Trading Account

Supervisory Policy Statement on Securities Activities
Securities section of the Manual
Capital Markets Handbook

ITEMS SUBJECT TO ADVERSE CLASSIFICATION

PURPOSE

The purpose of this schedule is to provide a detail of adversely classified items, and to communicate the rationale for adverse classifications via write-up, when necessary.

GENERAL

The page heading includes the interagency definitions of Substandard, Doubtful, and Loss.

All types of assets are subject to adverse classification.

ASSET CLASSIFICATION WRITE-UPS

Asset classification write-ups are prepared to support the examiner’s conclusions and recommendations to the Board of Directors, senior management, and regulatory authorities (including support for enforcement actions). Generally, classification write-ups are not necessary when the Asset Quality component is rated 1 or 2. However, when it is rated 3 or worse, a sufficient number of write-ups should be prepared to clearly support the ratings assigned, to demonstrate the bank’s inferior asset quality, management’s deficient credit underwriting or credit administration practices, or to support the examiner’s recommendations for improvement in these areas.

Write-ups may be “tiered” as deemed appropriate. For example, “full scope” write-ups, addressing all seven elements discussed below, may be accorded for loans over a certain size or to support a specific conclusion(s) or recommendation(s) in the Report; less comprehensive write-ups may be accorded the next tier; “bullet” write-ups for the following tier; and name and amount for the remaining items. Homogenous loans may be grouped together and a total extended, if appropriate. The examiner-in-charge has discretion as to the level of detail necessary to support conclusions and satisfactorily convey examination findings.

Notwithstanding the Asset Quality rating, write-ups of selected assets should be seriously considered when any of the following circumstances are present:

- Significant weaknesses are noted in credit underwriting or credit administration policies or practices, or adverse trends are evident in these elements
- Significant Loss classifications are involved
- Management disagrees with the classification(s)
- The examiner believes the Board of Directors or executive management may not be adequately informed of certain significant weaknesses in credit policies, practices, or conditions
- The adversely classified asset(s) involves institution insider(s)
- The bank’s internal credit risk identification system is deficient

REPORT PRESENTATION

General

In all cases, adverse classification dollar totals will be set forth in the table at the top of the EDR page. If no classification write-ups are prepared, the examiner may omit preparation of the Items Subject to Adverse Classification page. In that case, appropriate lists of classifications should be left with bank management, and a copy of this listing, signed by an executive officer, should be retained in the examination workpapers. Alternatively, when no write-ups are prepared, the examiner may use the Items Subject to Adverse Classification page to alphabetically list classified assets, by type or individual asset as appropriate. Whether or not write-ups are prepared, examiners may aggregate homogenous classifications by type and dollar amount, with a comment as to number and basis for classification (for example, 302 Consumer Installment Loans adversely classified based on the Uniform Retail Credit Classification and Account Management Policy).

The order for presentation of asset categories should follow the table at the top of the EDR page. Use appropriate subheadings and subtotal each asset category containing adversely classified items.

Loan Write-ups

When complete, “full-scope” loan write-ups are prepared, the narrative should generally address the following elements:

Identification **–** Indicate the name and occupation or type of business of the borrower. Identify cosigners, endorsers, and guarantors. In the case of business loans, make it clear whether the borrower is a corporation, partnership, or sole proprietorship.

Description **–** Concisely describe the make-up of the debt as to the type of loan, amount, origin, and terms. State the history, purpose, and source of repayment.

Collateral **–** Describe and evaluate any collateral, indicating its marketability and/or condition. When relevant, identify the appraiser. Also state if the appraisal or estimate of value is independent or in-house.

Financial Data – If necessary, present current balance sheet information along with operating figures. Exercise judgment as to whether a statement should be detailed in its entirety. When the statement is relevant to the classification, it is generally more effective to summarize weaknesses with the entire statement presented. If the statement does not significantly support or detract from the loan, a brief summary of the statement should be sufficient.

Summarization of the Problem – Explicitly point out reasons for the adverse classification. Where portions of the line are accorded different classifications or are not subject to adverse classification, state the reasons for the different treatments.

Management's Intentions **–** Include any corrective program contemplated by management.

Responsibility – Immediately following each loan write-up, identify the originating officer, servicing officer, and the examiner who reviewed the loan.

Also consider the following when preparing write-ups:

- Write-up format within each asset category should be consistent in presentation, style, and appearance.
- Be concise, but do not omit pertinent information. Assess all relevant factors.
- Write informatively and emphasize factual data. Do not allow extraneous information to overshadow important weaknesses of an adversely classified asset.
- Round to the nearest thousand (with 000 omitted) in both the heading and the extended adversely classified amount. In narrative comments, the examiner may round dollar amounts to the nearest thousand (for example, $25M) or to the nearest dollar.
- When adversely classified assets are participations, list each participant and the participant's corresponding ownership percentage (whether or not originated by the institution). This requirement does not apply to Shared National Credits.
- When applicable, address contingent liabilities with the related credit relationship. However, show the adverse classification extended net of the contingent liability. The contingent liability adverse classification will be listed under the subheading "Contingent Liabilities."

- Include overdrafts of borrowers with adversely classified loans in the same general comment and in outstanding debt recaps.
- If an adversely classified asset has been partially charged off prior to the asset review date, note the amount of the charge-off.
- When applicable, state whether an asset was adversely classified at the previous regulatory examination. If the asset has been adversely classified for two or more consecutive examinations, so state. Keep in mind the following when a previously classified asset is again listed for classification: If the fundamental deficiencies have not materially changed, and if the examiner believes that management and the Board are sufficiently familiar with these weaknesses and are taking all feasible steps to improve or collect the asset, there may well be little merit in preparing a full-scope write-up, even if the dollar amount is significant. In such cases, an abbreviated narrative, or a simple listing of name and amount, may be sufficient.
- State if the loan is identified on the institution's internal watch list. If internally identified, indicate the internal rating (if applicable).
- Include any past-due (30 days or more) or nonaccrual status of an asset. However, there may be instances when it would be pertinent to disclose the status of a loan where payment is less than 30 days delinquent.
- If a loan has had numerous extensions or rewrites, so state.

Miscellaneous

- When loans and other assets are adversely classified as a result of alleged fraud, embezzlement, or other dishonest conduct, state the facts that support the adverse classification. However, do not suggest any possible criminal intent or conduct.
- Adversely classified assets of consolidated subsidiaries should be clearly distinguished, when write-ups or lists are included in the Report, from institution-only classified assets.

ITEMS LISTED FOR SPECIAL MENTION

PURPOSE

The purpose of this schedule is to provide a detail of assets listed for Special Mention, and to communicate the rationale for the criticism via write-up.

GENERAL

The page heading includes the interagency definition for Special Mention items.

Do not include smaller items unless those loans are part of a large grouping listed for related reasons.

WRITE-UPS

Each item listed for Special Mention should be supported by a write-up. However, items that exhibit similar deficient characteristics may be grouped together under a single write-up. The narrative, which generally need not be lengthy, should focus on weaknesses in management's administration, documentation, servicing, and/or collection activities, and on how these deficiencies can reasonably be expected to lead to increased credit risk if not remedied.

ANALYSIS OF LOANS SUBJECT TO ADVERSE CLASSIFICATION

PURPOSE

The purpose of this migration schedule is to illustrate loan classification changes between examinations. From the analysis, the examiner will be better able to cite specific areas of change and the causes of these changes. In particular, the schedule may illustrate deterioration in the loan portfolio through the migration of loans previously adversely classified Substandard to more severe classification categories.

WHEN TO COMPLETE

- In institutions having marginal or unsatisfactory loan quality.
- When the volume or composition of adversely classified loans has changed significantly since the previous examination.

GENERAL

Generally, the previous FDIC examination should be the starting point for preparing the schedule. The FDIC does not usually have access to State or other regulatory examination classification workpapers, which makes it virtually impossible to use non-FDIC examinations as the starting point. However, where it is possible to analyze changes from the previous non-FDIC examination, the examiner may do so.

Generally, do not include adversely classified consumer loans and overdrafts. If overdrafts or consumer loans are included, they should be footnoted. Examiners also have discretion to exclude other loan balances of small dollar amounts if not material to the schedule. Examiners should footnote what is excluded.

Reminder: Reductions pertain only to loans adversely classified at the previous examinations.

ADDITIONAL LINE ITEMS

The examiner may add line items when necessary. For example, other line items under "Additions" may include "Previously Classified ORE" when loans made to facilitate the sale of ORE did not originally meet FAS 66 requirements but now do meet those requirements.

PAYMENTS VS. RECOVERIES

When not significant, recoveries on loans charged-off since the previous examination may be handled by: (a) including recoveries in "Payments" and deducting them from the line item "Charged-off," or (b) making no adjustment. However, when recoveries are significant, examiners should add a line item called "Recoveries" rather than include recoveries in the line item "Payments." The amount included in the line item "Recoveries" would also be deducted from the line item "Charged-off."

FURTHER ADVANCES - LOANS NOT ADVERSELY CLASSIFIED PREVIOUSLY

Circumstances when this line item may be used include:

- Advances (since the previous examination) on a loan existing at the previous examination

- A new loan is granted to borrowers who were indebted to the institution at the previous examination and whose loans were not adversely classified at that time

Note: Include current balances of loans outstanding at the previous examination which are now adversely classified and are less than the balances noted at the previous examination in the line item "Not Adversely Classified Previously." (That is, do not report the loan balance outstanding at the previous examination.) For practical purposes, do not research the payment and advance history on a loan that was not adversely classified previously. The amount listed in "Further Advances - Loans Not Adversely Classified Previously" should be the difference between the current balance and the previous examination balance, if the current balance is greater than the previous examination balance.

FURTHER ADVANCES - LOANS ADVERSELY CLASSIFIED PREVIOUSLY

Circumstances when this line item may be used include:

- Advances (since the previous examination) on an adversely classified loan existing at the previous examination
- A new loan is granted to borrowers who were adversely classified at the previous examination

CREDITS NEWLY EXTENDED

Include loans to borrowers who were not indebted to the institution at the previous examination.

Note: The aforementioned examples are not all-inclusive.

ANALYSIS OF OTHER REAL ESTATE OWNED SUBJECT TO ADVERSE CLASSIFICATION

PURPOSE

The purpose of this migration schedule is to illustrate changes in other real estate (ORE) classifications between examinations. From the analysis, the examiner will be better able to cite specific areas of change and the causes of these changes. In particular, the schedule may illustrate deterioration in the other real estate portfolio through the migration of other real estate classified Substandard to more severe classification categories.

WHEN TO COMPLETE

Complete this schedule:

- When the volume or composition of adversely classified ORE has changed significantly since the previous examination.
- In institutions having a high volume of ORE classifications.

GENERAL

Generally, the previous FDIC examination should be the starting point for preparing the schedule. The FDIC does not normally have access to State or other regulatory examination classification workpapers, which makes it virtually impossible to use non-FDIC examinations as the starting point. However, where it is possible to analyze changes from the previous non-FDIC examination, the examiner may do so.

Because the purpose of this schedule is to illustrate changes in adverse classifications since the previous FDIC examination, do not schedule ORE activity between examinations. Conversely, if significant activity in the ORE account has occurred since the previous examination, the examiner may prepare a separate schedule. Narrative comments may suffice to address this activity. For example, assume the following:

Book value at previous examination: $ 5MM
Book value at current examination: $ 3MM
Book value of other real estate acquired and sold between examinations: $12MM

In situations such as this, a separate schedule may be completed for the acquisition and sale of the $12MM. (This schedule would aid in analyzing the institution's asset quality and loss history.)

The examiner has the flexibility to not include all ORE parcels. (That is, when numerous smaller parcels that represent only a small portion of the dollar volume of ORE exist.) Footnote the schedule to indicate what is not included.

Do not deduct general reserves from the book value of ORE.

ADDITIONAL LINE ITEMS

Add line items when necessary.

Examples of other possible line items under "Reductions":

- "To Premises"

- "Sales for Cash"
- "Sales to Insiders"
- "Now Adversely Classified Loan" (This line item may be used when internally financed sales of ORE which did not originally meet FAS 66 requirements now meets those requirements.)
- "Write-downs" (This line item may be used rather than "Charged-off" when substantial write-downs are made by the institution's management since the previous examination, as opposed to charge-offs that are performed as the result of an examination.)

Examples of other possible line items under "Additions":

- "Capitalized Improvements" (This line item may be used when capitalized improvements are substantial as a whole or to a particular parcel; otherwise, one of the "Further Advances" line items may be used.)
- "Formerly Premises"
- "Loans to Facilitate Sale of Other Real Estate" (for sales of ORE that do not meet FAS 66 down payment requirements). Use this line item when a significant volume of sales has occurred. Otherwise, sales can go under "ORE From Credits Newly Extended."

Reminder: Reductions pertain only to ORE adversely classified at the previous examination.

CHARGED-OFF

This line item may include loss on sale of ORE. If significant, add a line item titled "Write-downs" as discussed above.

NOT ADVERSELY CLASSIFIED PREVIOUSLY

This line item may include amounts representing both loans and ORE at the previous examination.

ORE FROM CREDITS NEWLY EXTENDED

When not significant, this line item may include loans to facilitate sales of ORE which do not meet FAS 66 down payment requirements (that is, loans reported as other real estate for Call Report purposes). Additionally, the line item may include loans newly extended since the previous examination which are now adversely classified ORE.

Note: The aforementioned examples are not all-inclusive.

ASSETS WITH CREDIT DATA
OR COLLATERAL DOCUMENTATION EXCEPTIONS

PURPOSE

This page can be used to support criticisms of excessive documentation exceptions, as well as to highlight areas that are particularly weak (e.g. a high percentage of the exceptions involve outdated financial information).

WHEN TO INCLUDE

This schedule may be included for support when documentation exceptions are excessive and comments on the ECC page or RMA page are appropriate. In certain circumstances, ECC or RMA page comments may be appropriate if excessive deficiencies were outstanding when the examination commenced but were substantially corrected during the examination and the schedule is not included in the Report. Do not include this schedule in the Report when the number of exceptions is not deemed excessive. However, leave a detailed list with management.

GENERAL

During the examination, furnish management with a list of assets that have documentation deficiencies. This procedure is intended to expedite early correction of the deficiencies. Do not include deficiencies corrected during the examination. Alternatively, the examiner-in-charge may elect to include corrected deficiencies but somehow noting them as corrected during the examination. For example, they might be marked and footnoted with an asterisk. This may be useful to demonstrate criticisms of a reactive, rather than a proactive, management.

Examiners have the flexibility to add line items in the heading to more accurately describe documentation exceptions encountered at the institution being examined.

Include the date of the borrower's financial statement in the "Date of Most Recent Financial Statement" column only when financial statements are stale or otherwise deficient. Enter "None" when credit files contain no financial statements.

When documentation deficiencies are listed on adversely classified assets, cross-reference the appropriate pages.

Use this schedule to cover loan documentation deficiencies, as well as deficiencies in other assets/items (for example, other real estate, securities, and letters of credit). Use subheadings to segregate assets and items.

List exceptions in alphabetical order. When subheadings are used, list exceptions alphabetically within each subheading.

CONCENTRATIONS

PURPOSE

The purpose of this schedule is to identify possible absence of risk diversification within the institution's asset structure. This schedule is informational and all concentrations listed should not automatically be subject to criticism. However, if the intent is to criticize management's diversification policies, carry forward comments to the RMA page or, if warranted, to the ECC page.

As a general rule, list concentrations by category according to their aggregate total as a percentage of Tier 1 Capital.

Use of this schedule is not limited to credit concentrations, but may also include other obligations or types of concentrations where a lack of diversification is cause for regulatory concern (for example, letters of credit, higher risk securities, leases, acceptances, and correspondent bank accounts).

Reminder: When capital is low enough to make a concentration by percentage of Tier 1 Capital meaningless, use percentage of assets as a guideline (generally 2 percent of total assets).

CONCENTRATION CATEGORIES

1) Concentrations aggregating 25 percent or more of Tier 1 Capital should include concentrations by:
   - individual borrower
   - small, interrelated group of individuals
   - single repayment source with normal credit risk or greater
   - individual project

2) Concentrations representing 100 percent or more of Tier 1 Capital should include concentrations by:
   - industry
   - product line
   - type of collateral
   - short-term obligations of one financial institution or affiliate group

Note: List any concentration in the "25 percent" category if elevated risk is evident and/or it supports examination findings.

U.S. GOVERNMENT SECURITIES

Securities issued by the U.S. Treasury, U.S. Government agencies and corporations, and other obligations either backed by the full faith and credit of or fully guaranteed by the U.S. Government (hereafter referred to as "U.S. Government securities") are considered as a practical matter to be riskless. Therefore, these securities, as well as Federal funds transactions, and any other obligations collateralized by these securities, should not be scheduled as concentrations, provided the existence of such collateral has been verified. When Federal funds transactions and any other obligations are only partially collateralized by U.S. Government securities, do not schedule the collateralized portion. However, while other high quality and readily marketable securities may be considered nearly "riskless," such securities and assets collateralized by other than U.S. Government securities should be scheduled as concentrations if equal to, or in excess of, the 25 percent or 100 percent benchmarks.

Note: Refer to Call Report Instructions for details regarding the definition of U.S. Government agencies and corporations. For example, although debt obligations of Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation (FHLMC), and the Federal National Mortgage Association (FNMA) are not explicitly guaranteed by the full faith and credit of the U.S. Government, do not list obligations of such agencies and corporations.

OTHER CONSIDERATIONS

In determining whether a group of related obligations comprises a concentration, remember concentrations by their nature are heavily dependent upon a key factor (for example, financial capability, management, source of revenue, industry, or collateral support). If a weakness develops in that factor, it could not only adversely affect the individual obligation(s) in the concentration, but it could also impact the institution's capital position. Nevertheless, treatment of concentrations in the Report is flexible and requires sound reasoning and judgment. For example, if the institution's loan distribution is heavily centered in one general class of borrower, and this condition is inherent in the economy and character of the institution's trade area, it may be appropriate to include these loans.

Out-of-Territory Concentrations - While such obligations may be regarded as a "class of borrower" regardless of the diversification of the group, generally do not list them. Usually, such situations are more of a loan administration issue than a true credit concentration issue.

Correspondent Bank Concentrations - Before making critical comments regarding concentrations in due from balances, review the makeup of the concentration. It may not be practical to maintain smaller due from balances because of the size of incoming cash letters, the amount of collected balances on the correspondent's books, and the need to maintain balances for other services rendered by the correspondent. Even though critical remarks may not be warranted, list such due from accounts for informational purposes.

Purchased Loans and Participation Loans - A heavy volume of loans purchased or participated in from other sources may be listed.

Mutual Funds - Despite their inherent diversification, list an investment in a single mutual fund whose book value represents 25 percent or more of Tier 1 Capital (including those investing exclusively in U.S. Government securities).

EXTENSIONS OF CREDIT TO A FOREIGN GOVERNMENT

Aggregate as a "class of borrower" extensions of credit to a foreign government, its agencies, and majority-owned or controlled entities. If the extensions of credit are equal to or in excess of the 25 percent guideline, schedule them as a concentration. Loans to private sector enterprises may also be included with public sector borrowings if an interrelationship exists in the form of government guarantees, moral commitments, significant subsidies, or other pertinent factors pointing toward reliance on public sector support. Where sizable extensions of credit to related private entities exist and equal or exceed the 25 percent guidelines, list these amounts. The aforementioned procedures are intended to facilitate reporting of concentrations involving borrowers evidencing commonality of commercial credit risk. Follow outstanding instructions when handling transfer risk or country risk, where all public and private sector credits within a country are aggregated and related to the institution's capital structure. The International Banking section of the Manual and the instructions for the International section of the Bank of Anytown contain additional guidelines for concentrations in the area of credit to foreign governments and their entities.

CAPITAL CALCULATIONS

PURPOSE

This schedule provides a detailed breakdown of regulatory capital calculations, including adjustments resulting from examination findings.

GENERAL

Prepare this schedule according to Part 325 of the FDIC Rules and Regulations. The date of the financial information should be the same as the "Examination as of Date."

For Risk-Based Capital purposes, if Tier 1 Capital is zero or negative, Tier 2 Capital elements will not be recognized when calculating Total Risk-Based Capital. If Total Capital is a negligible or negative amount, but there are capital components that are not being counted due to the Risk-Based Capital rules, additional calculations should be added to show that these capital components exist and are available to absorb losses.

COMPUTATION OF TIER 1 CAPITAL

The definition of Tier 1 Capital is the same for both Leverage and Risk-Based Capital standards.

Individual captions are provided for Tier 1 Capital elements, and the amounts included are prior to adjustments to Tier 1 Capital.

Make adjustments to Tier 1 Capital after the line item "Total Equity Capital." Refer to the Call Report Instructions for Schedule RC-R for line item explanations. In addition to those items, make adjustments for any of the following items identified during the examination process:

Assets Other Than Loans & Leases Classified Loss - This item may include Category I contingent liabilities classified Loss. Refer below for further explanation.

Additional Amount to be Transferred to Tier 2 for Inadequate ALLL - Refer below for explanation.

Other Adjustments to (from) Tier 1 Capital - This item may include:

- Estimated Losses in Contingent Liabilities – This item pertains only to Category II contingent liabilities and might arise from a trust department or from pending litigation.
- Differences in Accounts Which Represent Shortages - This item may include shortages in assets or overages in liability accounts.
- Losses From Apparent Criminal Violations - Material losses attributed to a criminal violation that cannot be addressed by a specific asset classification should be deducted from Tier 1 Capital under the caption "Irregular Transaction -- Estimated Loss." When the exact amount of the loss has not been determined, the examiner may recommend that the institution engage an outside accountant or legal counsel to conduct an appropriate audit or investigation.

  Include the above items only when significant and add appropriate footnotes.

COMPUTATION OF TIER 2 CAPITAL

Tier 2 Capital is used only for Risk-Based Capital standards. Refer to the Call Report Instructions for Schedule RC-R for line item explanations.

Allowance for Loan and Lease Losses (ALLL)

The line item, "*Allowance For Loan & Lease Losses,*" is the ALLL (excluding any Allocated Transfer Risk reserves) reflected on the Comparative Statements of Financial Condition page. As applicable and necessary, deduct the amount of loans and leases classified Loss on the line item *"Less: Loans & Leases Classified Loss"* and include any adjustments necessary to replenish the ALLL to an adequate level in the line item *"Add: Amount Transferred from Tier 1."* The resulting figure is the *"Adjusted Allowance for Loan and Lease Losses."*

<u>Eligible ALLL</u> - The eligible amount of the ALLL to be included in Tier 2 Capital is limited to 1.25 percent of gross Risk-Weighted Assets. When the eligible amount is less than the amount shown on the line item *"Adjusted Allowance for Loan & Lease Losses,"* make the appropriate adjustment on the line item *"Ineligible Portion of ALLL."* Do not include Allocated Transfer Risk Reserves (ATRR) and specific reserves created against identified losses in the ALLL or in Tier 2 Capital for this calculation.

***Other Tier 2 Capital Components* –** Include mandatory convertible debt (e.g. equity contract notes) and any other items required by Part 325 of the FDIC Rules and Regulations.

Maximum Tier 2 Capital - The maximum amount of Tier 2 Capital that may be recognized for Risk-Based Capital purposes is limited to 100 percent of Tier 1 Capital. Deduct any excess amount greater than the limit of 100 percent of Tier 1 Capital before calculating Tier 2 Capital. Include this deduction in the line item *"Other Adjustments to (from) Tier 2 Capital."*

TIER 3 CAPITAL ALLOCATED FOR MARKET RISK

Refer to the Call Report Instructions for Schedule RC-R for information regarding "financial subsidiaries" as defined by the Gramm-Leach-Bliley Act of 1999. The sum of Tier 3 Capital and Tier 2 Capital is not to exceed 100 percent of Tier 1 Capital.

CALCULATION OF TOTAL CAPITAL

The line item *"Less: Deductions for Total Risk-Based Capital"* should include Investments in Unconsolidated Banking and Finance Subsidiaries. However, these subsidiaries normally are consolidated for Part 325 Capital purposes. Additionally, deduct reciprocal cross-holdings of capital instruments issued by institutions. Further, include here any deductions resulting from limitation on the aggregate amount of Tier 3 and Tier 2 Capital detailed above. Other deductions from capital may be required on a case-by-case basis.

DEDUCTIONS FROM TIER 1 CAPITAL FOR ITEMS CLASSIFIED LOSS AND INADEQUATE ALLL

Part 325 states that on a case-by-case basis and in conjunction with supervisory examinations, other deductions from capital may also be required. These should include any adjustments deemed appropriate for identified losses, including assets (other than loans and leases) classified Loss and provisions for an inadequate ALLL.

Use the following method to adjust capital for items classified Loss and to adjust for an inadequate ALLL. This method avoids adjustments that may result in a "double deduction" when Tier 1 Capital already has been effectively reduced through the provision expense in establishing an adequate ALLL. Additionally, this method addresses those situations where certain institutions have overstated the amount of their Tier 1 Capital by failing to take the provision expenses that were necessary to establish and maintain an adequate ALLL.

Method

- Deduct as a separate line item the amount of loss for items other than loans and leases in the calculation of Tier 1 Capital.
- Deduct as a separate line item the amount of loss for loans and leases from the ALLL in the calculation of Tier 2 Capital, and if significant, deduct from Tier 1 Capital the provision expenses necessary to replenish the ALLL to an adequate level.

Evaluation of the adequacy of the ALLL includes consideration of the amount of adversely classified loans and leases. If the ALLL is considered inadequate, make an estimate of the amount of provision needed for an adequate ALLL. Make the estimate after the identified losses in the Report have been deducted from the ALLL. Do not deduct from capital loans and leases classified Doubtful. These will be included in the evaluation of the ALLL, and if appropriate, will be accounted for by the adjustment for an inadequate ALLL.

Make an adjustment for an inadequate ALLL from Tier 1 Capital to Tier 2 Capital only when the amount is considered significant. The decision as to what is significant is a matter of judgment. As such, consider how much the adjustment would change the Leverage Capital ratio, how much the reader's perception of the institution's capital level will be influenced, or how much the institution's capital category for Prompt Corrective Action will be changed. Where adjustments for an inadequate ALLL may reduce an institution's capital level to a point where Prompt Corrective Action or other restrictions may apply, particular care and attention, including appropriate consultation with the FS and Regional Office, should be considered prior to incorporating such adjustments in the examination Report.

CAPITAL TREATMENT OF OTHER REAL ESTATE (ORE) RESERVES

ORE reserves are not recognized as a component of capital for either Risk-Based Capital or Leverage Capital standards. In determining the actual deduction from Tier 1 Capital for *"Assets Other Than Loans & Leases Classified Loss,"* take into account any ORE reserves established as ORE general reserves. To the extent these general reserves adequately cover the risks inherent in the ORE portfolio as a whole, including any individual ORE properties that are assigned Loss classifications, do not deduct the amount of ORE assets classified Loss in determining Tier 1 Capital. When such an adjustment is appropriate, adjust the line item *"Assets Other Than Loans & Leases Classified Loss"* and footnote with an explanation. However, most ORE reserves, including those established in accordance with FAS 144 and Call Report Instructions, are specific reserves rather than general reserves. Net such specific reserves against the amount of the individual ORE property before determining the amount of the classification.

RISK-WEIGHTED ASSETS AND RISK-WEIGHTED OFF-BALANCE SHEET ITEMS

Calculate Risk-Weighted Assets as of the latest Call Report date. Generally make calculations using Call Report and UBPR data. Follow the Call Report Instructions for Schedule RC-R for information to be included or deducted from Risk-Weighted Assets and Off-Balance Sheet Items. Additionally, make adjustments for any Risk-Weighted Assets classified Loss, and any other Risk-Weighted Asset deductions. Further, adjust for other items identified during the examination process discussed above in the “Other Adjustments to (from) Tier 1 Capital” section of the “Computation of Tier 1 Capital” instructions.

A supplemental workpaper is available to detail the Risk-Weighted Asset structure, and items in this section are derived from the workpaper.

MARKET RISK EQUIVALENT ASSETS

Refer to the Call Report Instructions for Schedule RC-R for information regarding “financial subsidiaries” as defined by the Gramm-Leach-Bliley Act of 1999.

AVERAGE TOTAL ASSETS

Average Total Assets are as of the latest Call Report date. Refer to the Call Report Instructions for Schedules RC-K and RC-R for detailed information on this figure. Use the amounts deducted from Tier 1 Capital above to adjust *"Average Total Assets"* and to calculate *"Adjusted Average Total Assets." "Adjusted Average Total Assets"* is based on the definition of "Total Assets" in Part 325. *Note:* Do not deduct estimated losses in contingent liabilities from total assets.

Reminder: Take Average Total Assets from the latest Call Report date, even if using a month-end financial date throughout the Report.

MEMORANDA ITEMS

Securities appreciation (depreciation) - The dollar amount of securities appreciation (depreciation) net of Loss classifications reflected in the HTM and AFS portfolios.

Contingent Liabilities - The first item, Contingent Liabilities, refers to both Category I and Category II contingent liabilities. The second item, Potential Losses, refers only to Category II contingent liabilities. Refer to the *Contingent Liabilities* section of the Manual for a discussion of estimated and potential losses.

References: Part 325 of the FDIC Rules and Regulations
Capital section of the Manual
Contingent Liabilities section of the Manual
Call Report Instructions

ANALYSIS OF EARNINGS

PURPOSE

This page provides a macro view of the bank's earnings by major income and expense categories. It also provides a summary history of activity in the ALLL, and additional ratios pertinent to earnings performance.

SELECTION OF FINANCIAL DATA PERIODS

Use dates consistently in the Comparative Statement of Income, Reconcilement of Allowance for Loan and Lease Losses, and Other Component Ratios and Trends sections.

Three financial data columns are available, allowing for two calendar years and one interim period (or three calendar years for examinations commencing shortly after the end of a calendar year). The interim period should correspond with the Examination as of Date.

COMPARATIVE STATEMENT OF INCOME

Complete this schedule according to Call Report Instructions. Listed headings correspond to those in the Report of Income, the supplemental Comparative Statements of Income and Changes in Equity Capital Accounts page, and the UBPR (except that the UBPR is completed on a tax-equivalent basis).

Total Non-Interest Expense - Total non-interest expense is commonly referred to as overhead expense.

Provision for Allocated Transfer Risk - For details, refer to the International section of the Report of Examination Instructions.

Applicable Income Taxes - Worksheets for calculating Call Report Applicable Income Taxes are included in each quarterly Call Report mailing to institutions and examiners. This worksheet can assist in verifying the accuracy of income tax accruals.

Extraordinary Credits (Charges) - Items that qualify for inclusion in this category are rare; refer to Call Report Instructions for details.

Other Increases/Decreases - This title does not correspond to a specific Call Report category but encompasses all categories in the Changes in Equity Capital section (RI-A) that are not otherwise detailed.

RECONCILEMENT OF ALLOWANCE FOR LOAN AND LEASE LOSSES (ALLL)

Negative Provisions to the ALLL - Negative provisions may be appropriate if clearly supported and applicable accounting guidelines are followed.

Other Increases (Decreases) - Other Increases (Decreases) in the ALLL are rarely encountered; refer to Call Report Instructions for details.

OTHER COMPONENT RATIOS AND TRENDS

Including additional ratios is encouraged when these ratios are informative and support ECC page comments.

Note: The Net Income to Average Total Equity Ratio is commonly referred to as the Return on Equity (ROE) ratio.

Noncurrent Loan and Leases to ALLL Ratio - Note the difference in definitions of noncurrent loans and leases and past-due loans and leases. Refer to the User's Guide for the Uniform Bank Performance Report and Call Report Instructions for these definitions.

COMPARATIVE STATEMENTS OF INCOME AND CHANGES IN EQUITY CAPITAL ACCOUNTS

PURPOSE

This page provides a more detailed breakdown of income and expense items, as well as a summary of changes in equity capital accounts. Include this schedule, when needed, to support ECC page comments.

GENERAL

Complete this schedule according to Call Report Instructions.

Dates used should be consistent with those selected on the core Analysis of Earnings page. Refer to the Selection of Financial Data Periods section in the instructions for that page.

FOOTNOTES

Only footnotes, not comments, should appear here.

RELATIONSHIPS WITH AFFILIATES AND HOLDING COMPANIES

PURPOSE

This page is useful for detailing bank affiliates, their relationships to the bank, and credits extended to affiliated entities. It can also be used to provide a financial overview of the bank's holding company.

GENERAL

Include this schedule, when needed, to support ECC page comments.

Financial Statements - While examiners may obtain financial statements of the holding company (consolidated and parent-only), affiliates, and consolidated and unconsolidated subsidiaries for financial analysis purposes, include the statements in the Report only when necessary to support comments.

Service Corporations and Premises Subsidiaries - Affiliated service corporations and affiliates holding title to premises or other real estate for the institution's benefit should not be included here.

HOLDING COMPANY RATIOS AND TRENDS

Ratios are included to facilitate holding company financial analysis. All ratios, except "This Institution's Assets to Consolidated Holding Company Assets," are available in the Federal Reserve Bank Holding Company Performance Reports (BHCPR). Calculate the referenced ratio from information in Call Reports and the BHCPR. Including additional BHCPR ratios is encouraged when these ratios contribute to financial analysis or comments.

Note: The type and availability of BHCPRs depends upon the size of a holding company's consolidated assets. No BHCPR is available for companies with assets below $50 million. Only an annual BHCPR with the parent company section is available for companies with assets between $50 and $100 million. Annual BHCPRs are available for companies with assets between $100 and $300 million. Semi-annual BHCPRs are available for companies with assets over $300 million.

EXTENSIONS OF CREDIT TO AFFILIATED ORGANIZATIONS SCHEDULE

Extensions of credit to, and securities issued by, affiliated organizations, when those organizations are related interests of insiders, should be included both here and on the Extensions of Credit to Directors/Trustees, Officers, Principal Shareholders, and Their Related Interests page.

Extensions of credit to insiders which are collateralized by securities issued by affiliated organizations should be included (as well as on the Extensions of credit to Directors, Officers, Principal Shareholders and Their Related Interests page) since these loans are subject to the provisions of Section 18(j) of the Federal Deposit Insurance Act and Section 23A of the Federal Reserve Act with regard to determining possible violations of extensions of credit to affiliated organizations.

Note: Indirect extensions of credit would include borrowings guaranteed by an affiliate.

COMMENTS

Holding Company - Fully describe holding company relationships here. Generally include the following information:

- Name
- Location
- Period of existence
- Number of shares of the institution's stock owned or controlled by the company, by each subsidiary of the company, and by trustees for the benefit of stockholders or members of the company
- Also include a description of holding company trends and their potential effect on the institution. Consider the amount and terms of outstanding debt, lender- or Federal Reserve System-imposed restrictions or covenants, and the dividend payout record. When adverse trends or conditions exist, they should be discussed on the ECC or RMA page, depending upon their significance.

When payments from an institution to its holding company are large and not justified on the basis of services received by the institution, comment on the ECC or RMA pages, depending upon the significance. Also consider compliance with or the applicability of Section 23B of the Federal Reserve Act.

Affiliates/Subsidiaries - Fully describe affiliate relationships in the comments section. The following information should be included:

- Name
- Location
- Asset size
- Net income
- Nature of affiliation
- Period of existence
- Circumstances under which the affiliation arose
- Primary activities (business) of the affiliate

Include officers or Directors when relevant. Additionally, include details regarding the amount and terms of any extensions of credit by the institution to affiliates. This information is important since the provisions of Section 18(j) of the Federal Deposit Insurance Act and Section 23A of the Federal Reserve Act apply insofar as determining possible violations of extensions of credit to affiliated organizations. Comments should be brief pertaining to each extension of credit, cash item, overdraft, and nonledger asset.

Nonbank Banks - Note when the institution under examination is a grandfathered "nonbank bank.” List violations of the Competitive Equality Banking Act of 1987 (CEBA) on the Violations of Laws and Regulations page and summarize the violations in a memorandum to the Regional Office. In such cases, include appropriate information on the parent company.

References: Related Organizations section of the Manual
User's Guide for the Bank Holding Company Performance Report
Section 18(j) of the FDI Act
Section 23A of the Federal Reserve Act
Section 23B of the Federal Reserve Act
Interagency Policy Statement on Income Tax Allocation in a Holding Company Structure

EXTENSIONS OF CREDIT TO DIRECTORS/TRUSTEES, OFFICERS, PRINCIPAL SHAREHOLDERS, AND THEIR RELATED INTERESTS

PURPOSE

The purpose of this page is to provide details regarding loans extended to bank insiders and their related interests.

WHEN TO INCLUDE

This schedule may be used to provide support when extensions of credit to Directors, executive officers, principal shareholders, and their related interests are subject to critical comment for reason of overall volume, credit quality, or preferential treatment.

GENERAL

Cross-reference here and on the appropriate Report pages extensions of credit subject to adverse classification, violation, or comment. List the current balances of indebtedness in the total column. When charged-off items exist, so footnote in the comment section.

If a Director or principal shareholder is also an executive officer, include that person as an executive officer. (Executive officers are subject to the more stringent restrictions of Regulation O.)

DEFINITION OF TERMS

Regulation O definitions of "extension of credit," "unimpaired capital and surplus," "Director," "executive officer," "principal shareholder," and "related interest" govern the schedule's preparation.

LISTING OF INSIDER EXTENSIONS OF CREDIT AND COMMENTS

List insiders alphabetically by description: Group A (Executive Officers and their related interests), and Group B (Directors and Principal Shareholders and their related interests). Comments, if any, should be brief regarding insider extensions of credit. Generally, no description of the indebtedness or collateral is necessary. However, note overdrafts, cash items, or nonledger assets.

Per Regulation O, Directors, executive officers, and principal shareholders of the holding company are considered to be Directors, executive officers, and principal shareholders, respectively, of the institution. Such individuals are considered to be Directors, officers, and employees of the subsidiary institution for the prior approval, terms, creditworthiness, and lending limit provisions of Regulation O. Generally, list these individuals and include them when appropriate.

In unusual circumstances, examiners may wish to obtain information regarding extensions of credit to non-executive officers and other employees. Should such employees be listed, do not include their indebtedness in the table at the top of the schedule.

DUPLICATIONS WITH EXTENSIONS OF CREDIT TO AFFILIATES

Include extensions of credit to and securities issued by affiliated organizations, when those organizations are related interests of insiders, both here and on the "Extensions of Credit to Affiliated Organizations" schedule of the Relationships with Affiliates and Holding Companies page.

References: Federal Reserve Board Regulation O
Part 337.3 of the FDIC Rules and Regulations
Related Organizations section of the Manual.

SIGNATURES OF DIRECTORS/TRUSTEES

PURPOSE

This page, when signed and dated by all of the institution's Directors, serves as the Directors' certification that they have each reviewed the Report in its entirety.

This form is the last page in all ROE forwarded to institutions.

GENERAL

Enter on the form, in alphabetical order, the full name of each Director. This will facilitate the proper signatures of Directors after they have reviewed the Report.

The page will be included in the institution's copy of the Report. The signed form is to remain attached to the Report and be retained in the institution's files for examiner review at subsequent examinations.

OFFICER'S QUESTIONNAIRE

PURPOSE

The questionnaire is intended to obtain information that might not otherwise come to the examiner's attention during the examination.

GENERAL

- Examiners are encouraged to provide bank management with a disk copy of the Officer's Questionnaire if the bank has compatible word processing software. The questions are locked in tables and cannot be altered without considerable effort.
- The Officer's Questionnaire should usually remain in the examination workpapers. It may be submitted with the Report of Examination when there are circumstances that make including it appropriate. For example, the Questionnaire should be included when the examiner suspects that an officer knowingly provided incorrect information on the document.
- Most answers should be given since the date of the previous FDIC examination. However, when the question specifies "since the last FDIC examination," examiners have the discretion to only request information since the previous State examination, if a State Report is acceptable.
- Examiners may interpret questions to help management complete the questionnaire. If an answer is believed to be in error, the signing officer may be permitted to correct the answer, provided the error is an oversight or misunderstanding. The signing officer should initial all corrections.
- The questionnaire is an official document prepared by the institution. Do not alter it.
- The examiner has the flexibility to determine the as-of date for which the questionnaire is completed. The questionnaire may be completed as of the Examination as of Date or the Examination Start Date. However, under no circumstances should the banker be given the opportunity to complete the questionnaire as of a date subsequent to receiving the questionnaire.
- Completion of the Questionnaire should be on a "consolidated" basis.
- Generally, the chief executive officer should sign the questionnaire. However, any executive officer, as defined by Regulation O, may sign if no significant problems are anticipated.
- Answers can be listed on continuation pages when adequate space is not provided following the question. Copies of institution documents are acceptable, provided they furnish at least the requested information and contain original signatures. If printouts are voluminous, they may be provided separately from the Officer's Questionnaire. The questionnaire should state that a complete listing was given to the examiner-in-charge.

QUESTION 1

The purpose of the question is to:

- Determine the extent of interest capitalization.
- Identify loans with potentially poor credit quality.
- Identify credit practices that may distort past-due information.
- Identify practices that may adversely impact the quality of the institution's reported earnings.

Forward affirmative answers to examiners reviewing loans. An excessive number of these loans may, depending on the type of credits and management information systems, distort the institution's financial position by overstating earnings and understating the past-due ratios. If there is a lengthy response to this question, it may be appropriate to include comments regarding the accuracy of the past-due ratios on the RMA page. Excessive use of these practices may warrant an ECC page comment.

QUESTION 2

The purpose of the question is to:

- Assist in determining compliance with reporting requirements of Section 7(j) of the FDI Act.
- Assist in determining or assessing the extent of interbank activity, and assist in understanding relationships between entities and their management teams.
- Review insider relationships, when applicable.
- Assist in determining or assessing direct or indirect control issues, asset quality, and dividend requirements of other entities.
- Generate information necessary for bank correspondence file cross-referencing. This data is used to verify the accuracy of information at other institutions.

References: Section 7(j) of the FDI Act
Section 23A of the Federal Reserve Board
Bank Holding Company Act
Banking Act of 1933 (Refer to the Related Organizations section of the Manual)

QUESTION 3

The purpose of the question is to:

- Determine compliance with applicable laws and regulations.
- Assist in reviewing legal lending limits.
- Assist in determining asset quality.
- Assist in determining concentrations.
- Assist in reviewing potential conflicts of interest.
- Identify "straw" borrowers, also known as "bogus" or "pass through" borrowers. If loan proceeds went to the benefit of a person other than that named on the note, or otherwise disclosed in bank records, it may be applied to the benefiting parties' aggregate debt for legal lending limit purposes.

References: Regulation O of the Federal Reserve Board
Part 353 of the FDIC Rules and Regulations
Criminal Violations section of the Manual

QUESTION 4

The purpose of the question is to:

- Determine compliance with applicable laws and regulations.
- Assist in reviewing potential conflicts of interest and/or preferential treatment.
- Assist in determining the extent of such activities, and assist in better understanding the entities' business relationships with each other.
- Assist in reviewing asset quality.
- Assist in determining concentrations in this type of lending.
- Allow for the appropriate cross-referencing of files and verification of data at other institutions

Note: In larger institutions, examiners may want to request only executive officers' extensions of credit.

References: Regulation O of the Federal Reserve Board
Section 106(b)(2) of the Bank Holding Company Act
Part 349 of the FDIC Rules and Regulations (may be violation at other entity)

Part 337 of the FDIC Rules and Regulations

QUESTION 5

The purpose of the question is to:

- Determine the extent, and allow for the review, of insider transactions.
- Assist in determining that such transactions have not resulted in harm to the institution.

Transactions may include arrangements such as equipment leases, leasing of bank premises, and insiders providing institution-related services such as appraisals, IT services, legal services, and insurance.

References: Fraud section of the Manual
Criminal Violations section of the Manual
Management section of the Manual

QUESTION 6

The purpose of the question is to:

- Assist in reviewing potential conflicts of interest.
- Assist in determining if such transactions have an adverse affect on the institution.
- Assist in reviewing potential misapplication of funds.
- Assist in determining "tying arrangements" that are prohibited under Section 106 of the Bank Holding Company Act of 1956.

Reference: Related Organizations section of the Manual

QUESTION 7

The purpose of the question is to:

- Assist in reviewing potential conflicts of interest.

Reference: Transmittal Number 99-029, Complaints Against Accountants

QUESTION 8

The purpose of the question is to:

- Determine compliance with applicable laws and regulations (regarding "Golden Parachute" payments).
- Determine potential abuse resulting from excessive compensation.
- Determine potential adverse impact on future profitability.
- Assist in checking accuracy of accounting issues and financial statement representation (that is, if the institution has booked appropriate liabilities).

This question looks for potential payments that may meet the definition of a golden parachute payment as defined by Section 18(k) of the FDI Act. Such payment may be prohibited should the institution become "troubled." The information provided by the response to this question may also be used to review for excessive compensation.

References: Section 18(k) of the FDI Act
Part 325 of the FDIC Rules and Regulations (Prompt Corrective Action)
Part 364 of the FDIC Rules and Regulations
Management section of the Manual

QUESTION 9

The purpose of the question is to:

- Assist in identifying undesirable lengths of contracts and potential excessive liabilities.
- Assist in determining any impairment of capital.
- Review for adverse termination clauses.
- Determine impact on the institution's future profitability.

Note: When determining ten percent of equity capital, use Regulation O definition of "equity capital."

This question is intended to identify contracts that have the potential to adversely affect the safety and soundness of the institution. Appropriate management review and approval should be recorded for "large" contracts.

Reference: Section 30 of the FDI Act

QUESTION 10

The purpose of the question is to:

- Determine compliance with applicable State laws and regulations.
- Verify the Directors' continued eligibility to serve on the bank's Board. Many states require a Director to own stock in the institution before becoming a Director. Additionally, some states prohibit individuals from being Directors if they have been indicted or convicted of a criminal offense or have loans that have been adversely classified. State law will govern the meaning of "disqualification" for the response to this question. Cross-check responses here with responses in question #12 for possible tie-ins.

QUESTION 11

The purpose of the question is to:

- Determine compliance with applicable laws and regulations.
- Ensure notification was given to proper authorities.
- Assist in reviewing recovery potential from the bonding company.
- Indicate possible internal routine and control deficiencies.

References: Section 8(e) of the FDI Act
Part 353 of the FDIC Rules and Regulations
Criminal Violations section of the Manual

QUESTION 12

The purpose of the question is to:

- Determine compliance with applicable laws and regulations.

Reference: Sections 8(e), 8(g), and 19 of the FDI Act

QUESTION 13

The purpose of the question is to:

- Assist in ensuring proper internal control and accounting over such items.
- Assist in determining the institution's capital position.
- Assist in determining compliance with key-man life insurance policy memoranda.

This question may encompass a variety of answers. Typical answers may include: (a) cash surrender value of a key-man life insurance policy when the institution is named as beneficiary, or (b) charged-off assets of undetermined value.

Reference: Capital section of the Manual

QUESTION 14

The purpose of the question is to:

- Determine the impact of contingent liabilities, the likelihood of becoming a direct liability, and the potential impact on capital.

Note: In some instances, significant costs are incurred by an institution in obtaining a formal attorney's letter. As such, examiners should not specifically request or require such a letter as a means of answering this question. Nonetheless, many institutions will obtain an attorney's letter. Normally, a summary should be provided here, and the attorney’s letter(s) should be retained in the examination workpapers. If appropriate to include the letter(s) in the Report (with the Officer's Questionnaire), include these letters on a continuation page.

References: Subsection, Contingent Liabilities, within the Capital section of the Manual

QUESTION 15

The purpose of the question is to:

- Reveal trust powers and the extent to which trust powers are exercised.
- Ensure all contingent liabilities are reviewed.

References: Part 303.7 of the FDIC Rules and Regulations
Applications section of the Manual

OFFICER'S QUESTIONNAIRE (BANK SECRECY ACT)

PURPOSE

This questionnaire is intended to aid the examiner in assessing the bank's compliance with the Bank Secrecy Act (BSA) and related statutes. This questionnaire may disclose information that might not have come to the examiner's attention during the examination.

GENERAL

- Examiners are encouraged to provide bank management with a disk copy of the Bank Secrecy Act Officer's Questionnaire if the bank has compatible word processing software.
- The questionnaire should normally remain in the examination workpapers. It may be submitted with the Report of Examination when there are circumstances which make including it appropriate. For example, the Questionnaire should be included when the examiner suspects that the preparer knowingly provided incorrect information.
- Answers should address the period since the date of the previous FDIC examination.
- Examiners may interpret questions to help management complete the questionnaire. If an answer is believed to be in error, the signing officer may be permitted to correct the answer, provided the error is an oversight or misunderstanding. The signing officer should initial all corrections, if not using a word processor.
- The questionnaire is an official document prepared by the institution. Do not alter it.
- The examiner has the flexibility to determine the date for questionnaire completion. The questionnaire may be completed as of the Examination as of Date or the Examination Start Date. However, under no circumstances should the banker be given the opportunity to complete the questionnaire as of a date subsequent to receiving the questionnaire.
- Generally, the chief executive officer should sign the questionnaire. However, any executive officer, as defined by Regulation O, may sign if no significant problems are anticipated.
- Answers can be listed on continuation pages when adequate space is not provided following the question. Copies of institution documents are acceptable, provided they furnish at least the requested information and contain original signatures. If printouts are voluminous, they may be provided separately from the questionnaire with a statement that a complete listing was given to the examiner-in-charge.

Note: The Bank Secrecy Act section of the Manual provides additional guidance regarding the subject matter of this questionnaire.

PROCEDURES FOR MONITORING BANK SECRECY ACT COMPLIANCE (12 C.F.R 326.8)

Questions 1 through 4

The purpose of these questions is to determine compliance with applicable laws and regulations, specifically Section 326.8 of the FDIC's Rules and Regulations.

FINANCIAL RECORDKEEPING (31 C.F.R PART 103)

Question 1

The purpose of this question is to:

- Determine compliance with applicable laws and regulations.
- Identify areas that may require additional scrutiny during the examination process.

Reference: FinCEN Form 105 (formerly Form 4790) entitled, "Report of International Transportation of Currency or Monetary Instruments"

Question 2

The purpose of this question is to:

- Determine compliance with applicable laws and regulations.
- Identify areas that may require additional scrutiny during the examination process.

Reference: Treasury Form 90-22.1 entitled, "Report of Foreign Bank and Financial Accounts"

Question 3

The purpose of this question is to:

- Determine compliance with applicable laws and regulations.
- Assist in identifying bank customers who are exempt from filing Currency Transaction Reports.

Reference: Treasury Form 90-22.53 entitled, "Designation of Exempt Persons"

Question 4

The purpose of this question is to:

- Determine compliance with applicable laws and regulations.

Note: The Department of the Treasury has the authority to assess civil money penalties for violations of IRS, FinCEN, or OFAC regulations or sanctions.

Questions 5 and 5(a)

The purpose of these questions is to:

- Assist in identifying a type of account relationship that has been used to support money-laundering schemes.

Note: Payable through accounts are demand deposit accounts or correspondent accounts through which the bank extends check writing privileges to the customers of a foreign bank. A master account is opened in the name of a foreign bank and subsequently divided into sub-accounts, each in the name of one of the foreign bank's customers.

Reference: FDIC Financial Institution Letter 30-95

Question 6

This question is intended to:

- Determine compliance with applicable laws and regulations.

Note: The OFAC of the U.S. Department of the Treasury administers and enforces economic and trade sanctions against targeted foreign countries, terrorism-sponsoring organizations, and international narcotics traffickers based on U.S. foreign policy and national security goals.

Reference: OFAC web site

Question 7

This question is intended to:

- Assist in determining if the bank engages in activities that could potentially increase its exposure to money laundering activity.
- Identify areas that may require additional scrutiny during the examination

Question 8

This question is intended to:

- Determine compliance with applicable laws and regulations.
- Alert the examiner to potential money laundering activity by identifying suspicious bank customers or transactions.
- Assist in determining if additional action is warranted with regard to suspicious customers or transactions, including filing a "Suspicious Activity Report" if the bank has not already done so.

Reference: Part 353 of the FDIC Rules and Regulations

Question 9

The purpose of this question is to:

- Determine compliance with applicable laws and regulations.
- Alert the examiner to potential money laundering activity by identifying suspicious bank customers or transactions.

Reference: Part 353 of the FDIC Rules and Regulations

CONFIDENTIAL – SUPERVISORY SECTION

PURPOSE

The purpose of this page is to communicate information of interest primarily to supervisory agencies, and should not be duplicative of information contained in the open section of the Report. Use descriptive subheadings to separate subjects and improve readability.

MANDATORY COMMENTS

Institution Control and Relationships – Unless discussed in the open section of the Report, concisely identify the individual(s) or interest(s) who control the institution. Also identify relevant subsidiaries and affiliates if not discussed in the open section. Such information is important in tracking chain bank organizations and updating bank holding company structure.

Interpret the word "controlled" broadly for purpose of this comment. Control may exist in the form of an individual or group, through stock ownership, or other means. Depending upon the situation, ownership of varying percentages of stock may result in control. In a mutual institution, effective control may exist in the form of the Board, a committee thereof, or even a dominant individual. A concentration of decision-making power and/or a lack of supervisory oversight and accountability are keys to determining control and the extent of that control.

References: Change in Bank Control - Section 7(j) of the FDI Act
Statement of Policy on Changes in Control in Insured Nonmember Banks

Examination Scope – Prepare a post-examination comment addressing any significant deviations between projected and actual hours (greater than 15 percent deviation), examination scope, and examination procedures. If no significant variances occurred in these areas, provide a sentence such as: “There were no significant variances between projected and actual examination hours, examination scope, and examination procedures.”

BSA Scope – Include a brief comment stating the scope of the BSA review, procedures performed. Include the time period for which FinCEN CTR filing data was compared to bank records, and identify the individuals with whom BSA review findings were discussed. It would also be helpful to state the current examination’s BSA Sharp number. If the bank’s policy allows for numbered accounts, the BSA Scope comment should indicate their existence, so that these high risk accounts can be reviewed at every examination.

Loan Penetration – Include the following:

- Asset review date
- Number of relationships reviewed
- Dollar volume of credit extensions reviewed/percent of total credit extensions
- Dollar volume of non-homogenous credit extensions reviewed/percentage of total non-homogenous credit extensions (See Transmittal #2002-018, dated 3/26/02, titled “Loan Penetration Ratio”)
- Credit extension cutoff review point (if applicable)

The loan penetration comment can include a breakdown of loans by major loan type, location, officer, or other information, as appropriate.

Note: This information can be effectively presented in chart form.

Director Involvement – Prepare a brief statement summarizing the extent of Director participation during the examination process.

SITUATION-SPECIFIC COMMENTS

The following topics should be addressed on this page as appropriate:

- Confidential or other information supporting the management rating
- Comments reconciling any apparent discrepancies between the assigned rating and recommended supervisory actions (or lack of recommended actions)
- Planned management changes
- Sensitive or nonpublic information such as merger discussions
- Difficulties conducting the examination due to lack of cooperation from management

RECOMMENDATIONS FOR ADMINISTRATIVE ACTIONS

Do not reference administrative action recommendations on the Confidential Page. Address these actions in a separate memorandum: (1) imposing (or not imposing) civil money penalties, (2) terminating insurance, (3) issuing a Cease and Desist Order or other formal action, (4) issuing a Memoranda of Understanding or other informal action (Board Resolution), and (5) releasing an institution from outstanding action.

Note: When administrative action is contemplated, remember Confidential-Supervisory Section comments may be a matter of record at an administrative hearing. Comments and observations must be well supported and able to withstand cross-examination.

CAPITAL ENHANCEMENT SOURCES

When applicable, note sources from which capital funds may be obtained. Include information concerning the capacity and willingness of potential investors to purchase stock. The following items may also be included:

- A complete list of present shareholders, indicating amount of stock held and their financial worth (small holdings may be aggregated if a complete listing is impractical)
- Information concerning individual Directors relative to their capacity and willingness to purchase stock
- A list of prominent customers and depositors who are not shareholders but who may be interested in acquiring stock
- A list of other individuals or possible sources of support in the community who, because of known wealth or other reasons, might desire to subscribe to new stock
- Any other data regarding the issue of raising new capital, along with the examiner's opinions regarding the most likely prospects for the sale of new equity

SUGGESTIONS AND COMMENTS FOR FUTURE EXAMINATIONS

Comments listed under this subheading may include the following:

- Name of external IT servicer(s), applications serviced, and contact personnel (unless addressed on the In-House Information Technology page)
- Personnel needed to start an examination or special personnel requirements (for example, capital markets experts)
- Name and location of branches to be included in the next examination
- Locations of operations or credit centers
- Records maintained at locations other than main office
- Number and working hours of State examiners at joint or concurrent examinations
- Working space limitations of the institution’s facilities
- Any other helpful or useful information to improve examination efficiency

IN-HOUSE INFORMATION TECHNOLOGY

PURPOSE

This schedule is used to communicate information of interest primarily to supervisory agencies. Comments should not duplicate information contained in the open section of the Report. When appropriate, use descriptive subheadings to separate subjects and improve readability. Prepare this confidential schedule when an IT review is embedded within a safety and soundness examination

The Automated Applications section should detail individual automated applications (for example, General Ledger, Securities, and Installment Loans).

Items addressed in the Comments section should include the following:

- Technology Profile Script (TPS) raw score and the type of examination (I, II, III, or IV) performed
- If the type of examination performed differs from the type indicated by the TPS raw score, briefly document the justification for the deviation, as well as the FS's or SE's concurrence
- Significant differences between projected and actual examination hours, or changes in examination scope or procedures that occur after the PEP memo is submitted
- URL of the bank's website if not included elsewhere in the Report
- IT Sharp number
- Sensitive or non public information related to the bank's IT operations
- Suggestions for future IT examinations

References: Integrated Examination Guidelines
Technology Profile Script
IT-MERIT Examination Procedures
IT General Work Program

TRUST SUPERVISORY SECTION (SHORT FORM)

PURPOSE

This schedule is used to communicate information of interest primarily to supervisory agencies. Comments should not duplicate information contained in the open section of the Report. When appropriate, use descriptive subheadings to separate subjects and improve readability. Prepare this confidential schedule when a Trust review is embedded within a safety and soundness examination

Items addressed in the comments section should include the following:

- A brief statement defining the examination scope, noting any areas that examiners targeted for in-depth review
- A summary of the department's risk profile. Items that may be included may include:
  - Nature and complexity of fiduciary products and services
  - Type of accounts administered
  - Data processing systems supporting trust services
  - Third-party, fee-sharing, or outsourcing arrangements
  - Strategic plans
  - The effectiveness of the control environment
  - The adequacy of the risk management practices relative to the nature and scope of fiduciary activities
- Recommendations for future examinations

DIRECTORS/TRUSTEES AND OFFICERS

PURPOSE

This confidential page provides information of interest to nonbank users of the ROE. The information assists Case Managers, other members of Field, Regional, or Washington Office management, and other regulatory authorities in their case management, applications processing, Report review, and general bank supervision duties.

List all Directors, executive officers, and principal shareholders (as defined in Federal Reserve Regulation O) under those respective subtitles. Other officers or employees (such as officers who head functional areas or the internal auditor) may be included when informative, at the discretion of the examiner-in-charge. Generally, functional responsibilities, banking experience, and post-secondary education should be detailed for all officers listed. For all Directors, include their occupation, banking experience, and any other significant information relating to their contribution to the institution. When relevant, identify the related interests of all Directors, executive officers, and principal shareholders.

When informative, include holding company officers or Directors who exert significant control over the institution's affairs (for example, when a holding company treasurer manages a subsidiary institution's investment portfolio), even though they are not official officers/Directors of the institution.

Note: For MERIT examinations, this page should include only the names, titles, and committee memberships of Directors and executive officers. The remaining information should be retained in the examination workpapers. Biographical/background information on Directors and Executive Officers should be included for non-MERIT exams.

OTHER

Net Worth – Net worths for all Directors should be obtained and included when relevant (for example, when an institution's capital position is inadequate and Directors may be a source of additional capital). When estimated net worths are obtained, footnote the "Date of Statement" column to indicate the source of information (for example, net worths estimated by President Smith).

Attendance at Board Meetings – Board meeting attendance figures shown should be since the previous FDIC or State examination, unless otherwise noted.

Parent Company Ownership – If the institution is owned by a holding company, note the ownership of the holding company shares. If relevant, examiners may include the percentage of shares owned below the number of shares owned. When informative, total the "Number of Shares Owned" column. Show the percentage of shares controlled by the Directorate as a whole.

Salary and Bonus – Footnote if salary and bonus information is not the current annual salary and most recent annual bonus.

Home Addresses of Directors – List the Directors' complete home addresses here or on a separate continuation page when the following conditions exist:

- Formal or informal administrative action is contemplated
- The institution is rated a composite 3, 4, or 5
- The assessment of civil money penalties is possible

Memoranda – Note the following information:

- Number of board meetings since the previous FDIC examination
- Memberships in important committees (particularly audit)
- Directors' fees for Board and committee meetings

INTERNATIONAL

REPORT PAGES AND WORKPAPERS

INTERNATIONAL REPORT PAGES -- COUNTRY RISK

Three report schedules are used to reflect examiner analysis of the country risk element in an institution's international operations. Complete these report pages as a Report of Examination section and include them after the schedules of domestic Items Subject to Adverse Classification and domestic Items Listed for Special Mention. The three report schedules include the following:

- Transfer Risks Subject to Classification or Comment
- Analysis of the Country Exposure Management System
- Selected Concentrations of Country Exposure

Instructions for completing these three schedules are on the following pages.

DISCLAIMER: These pages are provided for ILLUSTRATIVE PURPOSES ONLY. They are not intended to correspond with or tie to information in the Bank of Anytown Report of Examination.

INTERNATIONAL REPORT PAGE

TRANSFER RISKS SUBJECT TO CLASSIFICATION OR COMMENT

This page lists assets adversely classified Substandard, Value Impaired, or Loss, designated as Other Transfer Risk Problems, or subject to comment (Moderately Strong or Weak) as a result of transfer risk considerations. Examiners should follow the instructions for the Items Subject to Adverse Classification page as a guideline for including or not including the transfer risk write-ups in the Report of Examination. If transfer risk write-ups are omitted from the ROE, examiners should provide the write-ups to bank management.

Credits will be adversely classified where an interruption in payment has occurred or an interruption in payment is imminent. The decision to adversely classify or to designate as Other Transfer Risk Problem, Weak, or Moderately Strong is made by the Interagency Country Exposure Review Committee. The Committee also prepares the write-up supporting the adverse classification or comment.

The page should contain the details of the composition of the institution's claims subject to transfer risk. The amount extended for adverse classification or comment should be as of the asset review date, if possible, particularly if there has been a change in outstanding exposure balance since the date of the last quarterly Country Exposure Report.

Adverse classifications will be either Substandard, Value Impaired, or Loss, while other designations will be either Other Transfer Risk Problem (OTRP), Weak, or Moderately Strong. Do not schedule exposures designated as strong. Provide a paragraph detailing the composition of the institution's claims subject to transfer risk.

Report exposures alphabetically by country, with a total for each category, either Substandard, Value Impaired, or Loss, OTRP, or exposures subject to special comment appearing on the last page.

Summarize the amount adversely classified due to transfer risk by asset category (for example, securities or loans) and add to the amount adversely classified due to commercial risk, with adjustments made to eliminate any duplication with respect to assets adversely classified for commercial credit weaknesses.

It is entirely possible that a segment of the institution's exposure in a particular country will also be adversely classified because of commercial credit deficiencies. In these circumstances, prepare the customary write-up on the Items Subject to Adverse Classification page. Be careful not to duplicate the adverse classification on the Transfer Risks Subject to Classification or Comment page. Elimination of duplications need not be made at each criticism cited. Rather, a single elimination may be made at the end of the listing of adverse classifications for commercial risk or transfer risk, as explained below. However, the most severe criticism must always prevail.

For example, if an asset in Country A is classified Doubtful for commercial credit risk while the transfer risk is Substandard, make the adjustment for the duplication before calculating a total for adverse classifications due to transfer risk. The same procedure applies if both transfer risk and commercial risk bear the same degree of classification. Refer to the following example:

TRANSFER RISK	SUB STANDARD	VALUE IMPAIRED	LOSS
Subtotal assets classified due to transfer risk 5,000,000 due to transfer risk	5,000,000	0	0
Less-amount classified due to commercial credit risk	500,000		
Total adversely classified assets due to transfer risk	4,500,000		

On the other hand, if the transfer risk is more severe, eliminate the duplication at the location where totals for assets adversely classified due to commercial risk are calculated by using the subscript "Less-amount classified due to transfer risk."

ALLOCATED TRANSFER RISK RESERVE

Pursuant to the International Lending Supervision Act (ILSA), the Federal banking agencies require institutions to establish and maintain a special reserve when the value of international loans has been impaired by a protracted inability of the borrowers in a country to make payments on external indebtedness or no definite prospects exist for orderly restoration of debt service (for example, loans classified Value Impaired). Determination of the level of the special reserve, Allocated Transfer Risk Reserve (ATRR), is the responsibility of the Interagency Country Exposure Review Committee (ICERC). The ATRR must be established by a charge to current income and be segregated from the institution's general allowance for possible loan losses. Do not include the ATRR as a part of bank capital. The institution has the option to charge off the required amount rather than set up the ATRR. Examiners should ascertain whether the appropriate percentage ATRR or charge-off of outstandings to Value Impaired exposures has been made. The amount of charge-off or ATRR required is that amount which is equal to the appropriate percentage level on outstandings as illustrated:

	EXPOSURE TO COUNTRY X	EXPOSURE TO COUNTRY Y
Outstanding Balance	1,000,000	2,000,000
ATRR (ICERC sets requirement For Country X at 15%	150,000 (ATRR or Charge-off)	
ATRR (ICERC sets requirement For Country Y at 10% AND Increases ATRR requirement for Country X to 20%)	50,000 (ATRR or Charge-off)	200,000

If a charge-off or reserve of the requisite amount has not been established, the amount should be deducted in capital analysis and remind the institution in the Examination Conclusions and Comments page and the Violations of Laws and Regulations page of the regulatory requirement (refer to Part 351 of the FDIC Rules and Regulations) to charge off the amount or create the special reserve.

The requisite ATRR or charge-off is based on the original amount of exposure to a country less payments received. Loans extended after the initial amount, as determined for ATRR purposes, are generally not subject to an ATRR or charge-off if the new money was extended pursuant to economic reforms and if the credits are performing.

Exposures adversely classified due to transfer risk (less duplication adjustment) are included in the Summary of Items Subject to Adverse Classification and Special Mention section of the Examination Data and Ratios page, under a separate line item, "Transfer Risk."

Combine credits that have been adversely classified due to transfer risk problems with commercial loan classifications when evaluating an institution's asset quality and other measures of financial soundness, including capital adequacy. Also, report exposures designated as Weak or Moderately Strong Transfer Risks on the Transfer Risks Subject to Classification or Comment page, with the accompanying write-ups. The criteria for determining exposures warranting comments are as follows:

Strong Transfer Risks - Do not comment on exposures to countries in this grouping. Extremely large exposures to these countries may be commented on in the discussion of the exposure management system and/or the Examination Conclusions and Comments page.

Moderately Strong Transfer Risks - Comment on exposures exceeding 15 percent of capital. For exposures between 10 and 15 percent of capital, there is a presumption in favor of commenting if outstandings with a maturity in excess of one year exceed 7.5 percent of capital. If maturities in excess of one year are less than that amount, there will be a presumption against commenting. Do not comment on exposures below 10 percent of capital.

Weak Transfer Risks - Comment on exposures exceeding 10 percent of capital. For exposures between 5 and 10 percent of capital, there is a presumption in favor of commenting if amounts due in excess of one year exceed 5 percent of capital. If amounts maturing in excess of one year are less than 5 percent, the presumption is against commenting. Do not comment on exposures below 5 percent.

Where comment is optional, the examiner will be allowed some flexibility and may determine not to follow the presumptions if other pertinent banking factors weigh more heavily either for or against comment. These factors might include management ability, the nature of the Committee's comment about the country, or the results of a more detailed breakdown of the composition of the portfolio. For example, if the institution's claims on a country were primarily short-term with presumption against commenting, the examiner might comment on the exposure if management was not following developments in the country and the Committee's write-up indicated a deteriorating situation. Similarly, comment might be omitted in spite of a presumption in favor of commenting if the Committee's report indicated a country's near-term outlook was good and a substantial part of the term credit was maturing in the second year.

To determine whether threshold levels of capital funds have been met, include firm commitments to lend additional funds.

It is possible that certain portions of an institution's exposure in a country (for example, trade transactions) will be listed for special comment, while other portions of the institution's exposure in a country (for example, term loans) might warrant adverse classification or designation as OTRP. Report split designations under the proper columns. To insure the uniform treatment of all short-term loans, the Committee has defined "short-term loans" as loans or loan amortizations maturing within one year from the applicable examination. That portion of long-term loans representing principal amortizations due within one year will not be included when extending long-term loans only. "Trade transactions" include only those credits covering the actual movement of goods (for example, commercial letters of credit and acceptances). Acceptances past due or extended are considered to be "loans.” Extend for special comment or adverse classification, as applicable, contingent liabilities subject to transfer risk (including commercial and standby letters of credit as well as loan commitments) that will result in a concomitant increase in institution assets if the contingencies convert into an actual liability. Classify contingent liabilities extended for adverse classification according to the type and tenor of the institution asset, which would result from conversion of the contingency into an actual liability. For example, classify commercial import/export letters of credit the same as trade transactions, and classify commitments to fund long-term project loans the same as long-term loans. In cases where type or tenor is not easily discernible and where exposure is accorded a split classification, the more severe classification should prevail.

Commitments should include only those commitments for which there has been charged a commitment fee or other consideration, or is otherwise a legally binding commitment. In the case of commitments for syndicated loans, extend only the institution's proportional share of the commitment. Similarly, contractual underwriting commitments (for example, revolving underwriting facilities) and other bond underwriting agreements may be shown net of firm commitments from other parties to purchase the assets without recourse within a short period of time. Accordingly, commitments should include the institution's obligations to participate in syndicated loans and underwritings managed by other institutions.

With respect to traditional concentrations of credit to related or affiliated borrowers within the institution's exposure in a particular country, schedule these lines on the Concentrations page in the usual manner.

INTERNATIONAL REPORT PAGE

ANALYSIS OF THE COUNTRY EXPOSURE MANAGEMENT SYSTEM

Present, in narrative form, an analysis of the institution's system for monitoring and controlling country exposure. Guidelines for conducting such analysis, as well as detailed examination procedures, are incorporated in the International Banking section of the Manual. Include the examiner's evaluation of the institution's procedures for measuring exposure, the institution's system for establishing country lending limits, and the institution's capability to analyze countries. Also, include an assessment of adherence to the institution's stated policies in this area.

The evaluation of the institution's international loan portfolio and the institution's country exposure management may warrant including commentary on the Examination Conclusions and Comments page to bring deficiencies to the attention of management and/or the board of directors. Examples might include very excessive concentrations of transfer risk in one or more countries, a pattern of concentrations to certain classes of countries, large amounts of classified assets, or a weak or ineffectual country exposure management system.

INTERNATIONAL REPORT PAGE

SELECTED CONCENTRATIONS OF COUNTRY EXPOSURES

Use this schedule to display transfer risk exposures considered large relative to the institution's capital and/or considered significant in relation to the economic, social, and political circumstances within a country.

List exposures to countries judged to be strong transfer risks on this schedule if the institution's exposure exceeds 25 percent of the institution's Tier 1 Capital. List moderately strong transfer risks at 10 percent of Tier 1 Capital, and list exposures to weak transfer risks equal to or exceeding 5 percent of Tier 1 Capital on this schedule. Also list all exposures to adversely classified countries or countries designated OTRP. Display exposures in alphabetical order.

The schedule is patterned after the Country Exposure Report (FFIEC 009). If the institution is required to prepare the report, obtain the information from the report most recently filed by the reporting institution (data from the most recently filed report is downloaded when available). Compiling the required data as of the examination start date is unnecessary unless the institution's exposure has changed materially since the date of the report. Spot-check the accuracy of the report by sampling the data provided on several countries shown on the report.

Several insured state nonmember banks have significant country exposures but are not required to submit the report because the institution does not meet the foreign branch, foreign subsidiary, or Edge Act or Agreement subsidiary criteria. Institutions with overseas lending activity in excess of $15 million are required to file periodic reports with the U.S. Treasury under the "Treasury International Capital Reporting System.” These reports may be useful in determining the volume of the institution's foreign lending activity. If the institution has aggregate exposures to foreign residents (any individual or entity) exceeding $30 million, prepare the report schedule "Selected Concentrations of Country Exposure.” For institutions with exposures to foreign residents of $30 million or less, the schedule may be prepared if it is significant to evaluating the condition of the institution. In any event, exposures to countries adversely classified by the Committee should be classified in the Report.

Terminology used in the schedule includes the following:

Cross-Border/Cross-Currency Claims - Includes all assets of the institution and its foreign offices where the obligor or asset is domiciled outside the U.S., and the asset is denominated in a currency different from the currency of the country where the obligor or asset is located. Claims include interest-bearing balances with institutions, securities, Federal funds sold and securities purchased under agreement to resell, loans (including own acceptances purchased, acceptances of other institutions purchased, discounted trade bills, and other instruments defined as loans in the instructions to the Report of Condition), direct lease financing, investments in unconsolidated subsidiaries and associated companies, and customers' liability on acceptances outstanding.

Amounts Maturing In: Less Than 1 Year - More Than 1 Year - Base the maturity distribution on amortization or final maturity dates, as appropriate, and not interest adjustment dates or roll-over dates. Include loans payable on demand in the less-than-one-year column. Place current maturities of long-term debt in the less-than-one-year column.

Commitments/Contingent Claims - Refers to binding contractual obligations of the institution and includes only the following: fee-paid loan commitments (less any amounts actually disbursed), undisbursed portions of loans contracted where the funds are available at the borrower's request, commercial letters of credit either issued or confirmed, standby letters of credit, and formal and legal guarantees issued. Excluded from this item are commitments that are subject to further institution approval before disbursement of funds and credit authorizations (internal guidance lines).

Subtotal by Location of Borrower - This column is intended to arrive at a gross total of cross-border claims and commitment/contingent items by country in which the primary obligor resides. The subtotal is calculated by adding the maturity and commitment/contingent claims columns.

Adjustments for Guarantees - These columns are intended to reallocate cross-border and contingent claims to the country of any guarantor (the party ultimately responsible for payment of the obligation in the event of default by the primary obligor). For the purposes of this report schedule, "guaranteed" claims are those claims of the reporting institution for which a third party formally and legally obligates itself to repay the reporting institution's claims on the primary obligor if the latter fails to do so. Documents that do not establish firm legal obligation, such as comfort letters or letters of awareness or intent, are not considered guarantees. The term "guaranteed" covers collateralized claims if the collateral is (a) tangible, liquid, or readily-marketable (for example, cash, gold, certificates of deposit, or readily-marketable shares of stocks or bonds); and (b) both held and realizable outside of the country of residence of the borrower. In cases involving collateral, the residence of the "guaranteeing" party is the country in which the collateral is held unless the collateral is a security, in which case it is the country of residence of the party issuing the security. With respect to claims on institutions, reallocate obligations due from a branch or agent of an institution to the country where the institution's head office is located. This procedure takes account of the implicit obligation of the head office to honor claims on its branches. This procedure will be used to reallocate any claims on U.S. branches and agencies of foreign banks. Reallocate any other claims to institutions, including institutions chartered in a foreign country, institutions that are subsidiaries of institutions, U.S. commercial institutions that are majority-owned by foreigners, or New York investment companies, only if these claims are formally guaranteed by a third party in another country.

Net Local Currency Assets of Offices in the Country - This column is used to indicate the excess of local country assets over local country liabilities of bank offices operating in a foreign country. For example, if the institution operates an office in France, show the net amount of French franc assets (loans to French residents denominated in French francs) held in the offices over French franc liabilities (French franc deposits of French residents) of the office in this column. If local country liabilities exceed local country assets, place a zero in this column.

Exposure by "Country of Risk" - This column is derived by adding the subtotal by location of borrower, adjustments for guarantees, and net local currency assets of offices in the country. The total identifies the true exposure of the institution in the country.

Exposure by "Country of Risk" as a Percent of Capital - This percentage is derived by dividing the exposure by "country of risk" by the institution's Tier 1 Capital.

Since this page is largely patterned after the Country Exposure Report, reviewing this reporting document and its instructions is recommended. The following cross-reference table is provided to assist in relating the report schedule to the Country Exposure Report:

CAPTION ON REPORT PAGE	COLUMN NUMBER ON COUNTRY EXPOSURE REPORT
Less than one year	Schedule 1, Column 5 + Schedule 2, Column 4
More than one year	Schedule 1, Column 6 + 7
Commitments/contingent claims	Schedule 1, Column 15
Other credits guaranteed by residents of this country	Schedule 1, Column 11 + 12 + 13 + 17
Credit externally guaranteed	Schedule 1, Column 8 + 9 + 10 + 16
Net local currency assets of offices in the country	Schedule 1, Column 18 - 19 + Schedule 2, Column 6 - 7 (if value is negative, place a zero beneath the caption)

Although the schedule is primarily intended to display large exposures, include exposures to countries subject to adverse classification or Other Transfer Risk Problems on the page regardless of the percentage of Tier 1 Capital. Reflect on the Summary Analysis of Examination Reports on line 55, Concentrations, the total of the selected concentrations of country exposure exceeding 5 percent of Tier 1 Capital. A comment on the Examination Conclusions and Comments page may be warranted if such exposures are excessive.

Note: The examiner may override the downloaded data on this page when the examiner is aware of information that is significantly different from the download or in other circumstances deemed appropriate by the examiner.

INTERNATIONAL WORKPAPERS

The following workpapers are optional and may assist an examiner in forming conclusions about the institution's international activities. Do not include these workpapers in the Report of Examination. Instead, concerns should be addressed in the ROE on the ECC page, the RMA page, or other appropriate report section, depending upon their significance.

- International Loans, Acceptances, and Letters of Credit – Distribution
- International Loans, Acceptances, and Letters of Credit – Questionnaire
- Eurocurrency Operations
- Foreign Exchange Activities
- Position Analysis – Major Currency Positions
- Position Analysis – Other Currencies
- Maturity Distribution (GAP) Analysis
- Revaluation and Income/Loss Analysis
- Income Loss Schedule
- Policy and Procedures
- Audit and Internal Controls – Audit
- Audit and Internal Controls – Internal Controls
- Parallel-Owned Banking Organizations (PBO)

DISCLAIMER: These workpapers are provided for illustrative purposes only. Nothing in them is intended to correspond with or tie to information in the Bank of Anytown Report of Examination.

INTERNATIONAL WORKPAPER

INTERNATIONAL LOANS, ACCEPTANCES, AND LETTER OF CREDIT – DISTRIBUTION

This schedule is intended to help the examiner identify the level of lending, letter of credit, and acceptance financing between the institution and obligors and/or guarantors domiciled outside the United States, its territories, and possessions. The inclusion of obligations guaranteed by foreign domiciled individuals or entities in this definition is based on the concept that ultimate liability for repayment rests with the guarantor. Therefore, the basic objective is to designate those transactions where repayment channels will cross international boundaries. This approach is consistent with the methodology used in the Country Exposure Report (FDIC 6502/03) to reallocate claims to the country of the individual or entity ultimately liable for repayment.

For the purposes of this schedule, guaranteed instruments are those for which a third party formally and legally obligates itself to repay the institution's claim on the direct obligor if the latter fails to do so. Documents such as comfort letters or letters of awareness or intent are not considered guarantees for the purposes of this schedule. The term "guaranteed" covers collateralized instruments if the collateral meets both these requirements:

- The collateral is tangible, liquid, readily marketable (that is, cash, gold, certificates of deposit, or readily marketable shares of stocks or bonds)
- The collateral is both held and realized outside the United States, its territories, and possessions.

Using the foregoing guidelines, include in the schedule obligations of residents or entities domiciled in the United States bearing a guarantee from a resident or entity in a foreign country. Similarly, exclude from the schedule direct obligations of foreign residents or entities with guarantees from domestically domiciled residents or entities.

Base the distribution of loans in this schedule on the nature of the direct obligor on the indebtedness.

Mortgage loans include liens or deeds of trust on real property, aircraft, or ships. Shipping loans included in this category will be secured by first or second preferred-ship mortgages. Exclude loans collateralized solely by bareboat, time, or consecutive charter, which are more properly shown in the loans to commercial, industrial, and agricultural interests caption.

Include in the caption, "Other Loans," credits not properly categorized in the five preceding captions made to obligors with similar characteristics and represent a material percentage of total international loans (approximately 10% of international loans is a reasonable criteria).

The caption, "Syndication and Consortium Financing," includes the institution's investment in syndicated credits. These loans differ from the customary participation loan as a number of institutions participate at the outset and are known to the borrower. As such, the loan must be structured to meet both the requirements of the participating institutions and the needs of the borrowing entity. The function of packaging the credit to satisfy the needs of parties to the transaction is the responsibility of the syndicate leader.

The caption, "Other (Describe)," is intended to provide a location for the enumeration of special types of international lending or financing activity deemed worthy of separate enumeration. For example, a separate enumeration of the aggregate volume of syndicated loans originated by the institution as syndicate leader or loans within certain geographic areas may be warranted.

Use the footnote, "Does not include loans to U.S. subsidiaries of foreign corporations," to show the aggregate of loans to such borrowers which have not been shown in the categories above in the Distribution schedule.

INTERNATIONAL WORKPAPER

INTERNATIONAL LOANS, ACCEPTANCES, AND LETTERS OF CREDIT – QUESTIONNAIRE

These questions are intended to assist the examiner with identifying risk-management weaknesses in the international area of the bank's operations. Significant concerns should be addressed on the ECC page, the RMA page, or other appropriate Report section (e.g. the Analysis of the Country Exposure Management System page), depending upon their significance.

INTERNATIONAL WORKPAPER

EUROCURRENCY OPERATIONS

These questions are intended to assist the examiner with identifying risk-management weaknesses in the international area of the bank's operations. Significant concerns should be addressed on the ECC page, the RMA page, or other appropriate Report section (e.g. the Analysis of the Country Exposure Management System page), depending upon their significance.

INTERNATIONAL WORKPAPER

FOREIGN EXCHANGE ACTIVITIES

This workpaper should be used in conjunction with other workpapers addressing risks associated with foreign exchange activities. These other workpapers might include Position Analysis – Major Currency Positions, Position Analysis – Other Currencies, Maturity Distribution (GAP) Analysis, Revaluation and Income/Loss Analysis, and the Income/Loss Schedule. Material concerns should be addressed on the RMA or ECC page, as appropriate.

INTERNATIONAL WORKPAPER

POSITION ANALYSIS – MAJOR CURRENCY POSITIONS

This schedule may be useful for determining the extent of the institution's position in various currencies and unrealized profit and/or loss and assessing the policies and risk management practices related to foreign exchange activities. Concerns should be brought forward to the ECC or RMA page, depending upon their significance.

POSITION ANALYSIS

If an institution has assets or liabilities denominated in a foreign currency, or the institution has commitments to purchase or sell foreign exchange with a future delivery date, a net position for each foreign currency must be calculated. This function facilitates an analysis of exposure to fluctuations in exchange rates and aids in determining unrealized profits and/or losses accruing to the institution on the date of examination. Further, the position analysis enables the examiner to ascertain the institution's practice of adjusting U. S. dollar equivalents of foreign currency accounts at periodic intervals.

To prepare the position on each foreign currency, make a trial balance of each asset and liability account denominated in a foreign currency. Asset accounts (long position) include, but are not limited to, foreign currency on hand, due from bank accounts (nostro), demand and time loans, investments, accrued interest receivable, and commitments to purchase exchange on a spot or future basis. Liabilities (short position) include due to accounts (vostro) with other institutions (including nostro overdrafts), demand and time deposits cash collateral, accrued interest payable, accounts payable, and commitments to sell exchange on a spot or future basis. These accounts or subsidiary records will normally contain both the amount of foreign currency and an equivalent amount in U.S. dollars. The examiner's trial balance of foreign currency should prove to the institution's position sheet, and dollar equivalents should correspond to the general ledger. Certain transactions, such as the previous day's spot or future exchange transactions may not have been recorded on the institution's books. Obtain these so called "holdover" items from the foreign exchange trader, and include them in the calculation of the currency position.

MAJOR CURRENCY POSITION

This schedule is reserved primarily for the currency posing the greatest exposure to the institution's total capital and reserves. If the institution maintains substantial positions in several currencies, the schedule should be completed separately for each currency.

Derive the entries for foreign currency and dollar equivalents for each asset and liability category from the institution's records. DO NOT REVALUE THESE ACCOUNTS AT CURRENT EXCHANGE RATES. Deduct the lesser of long/short position from the larger figure to arrive at the net position in foreign currency and dollar equivalent. The net position - dollar equivalent should be related to capital and reserves.

INTERNATIONAL WORKPAPER

POSITION ANALYSIS – OTHER CURRENCIES

This schedule may be useful for determining the extent of the institution's position in various currencies and unrealized profit and/or loss and assessing the policies and risk management practices related to foreign exchange activities. Concerns should be brought forward to the ECC or RMA page, depending upon their significance.

POSITION ANALYSIS

If an institution has assets or liabilities denominated in a foreign currency, or the institution has commitments to purchase or sell foreign exchange with a future delivery date, a net position for each foreign currency must be calculated. This function facilitates an analysis of exposure to fluctuations in exchange rates and aids in determining unrealized profits and/or losses accruing to the institution on the date of examination. Further, the position analysis enables the examiner to ascertain the institution's practice of adjusting U. S. dollar equivalents of foreign currency accounts at periodic intervals.

To prepare the position on each foreign currency, make a trial balance of each asset and liability account denominated in a foreign currency. Asset accounts (long position) include, but are not limited to, foreign currency on hand, due from bank accounts (nostro), demand and time loans, investments, accrued interest receivable, and commitments to purchase exchange on a spot or future basis. Liabilities (short position) include due to accounts (vostro) with other institutions (including nostro overdrafts), demand and time deposits cash collateral, accrued interest payable, accounts payable, and commitments to sell exchange on a spot or future basis. These accounts or subsidiary records will normally contain both the amount of foreign currency and an equivalent amount in U.S. dollars. The examiner's trial balance of foreign currency should prove to the institution's position sheet, and dollar equivalents should correspond to the general ledger. Certain transactions, such as the previous day's spot or future exchange transactions may not have been recorded on the institution's books. Obtain these so called "holdover" items from the foreign exchange trader, and include them in the calculation of the currency position.

OTHER CURRENCIES

For each currency, aggregate the assets and purchase commitments (long position) and liabilities and sale commitments (short position), and deduct the smaller figure to arrive at the net position for each currency. The net dollar equivalent should be related to capital and reserves.

Note the net position of the Canadian dollar in the schedule in the Bank of Anytown. If the foreign currency total is net long while the U.S. dollar equivalent is net short, a "split position" exists. This so-called "split position" usually results from a heavy volume of activity flowing through the institution's nostro accounts which will subsequently require adjustment to restore balance to the relationship between the foreign currency and U.S. dollar equivalent.

In calculating the aggregate position (U.S.) for all currencies, add all U.S. equivalent figures irrespective of sign (that is, short positions are added to long positions as a positive number).

Questions 1 (A & B)

These questions help determine whether the institution's net position appears unwarranted, excessive, or speculative. It is difficult to enumerate a benchmark, which would indicate an ill-advised position; however, the following criteria may be used in evaluating the institution's position:

- Competency of the trading and executive officers
- Purpose of the position
- The volatility of the individual currencies
- Volume of business in the county
- Size of the institution

Negative responses to these questions may suggest the need for commentary in the Report.

INTERNATIONAL WORKPAPER

MATURITY DISTRIBUTION (GAP) ANALYSIS

Although an institution has no net open position in a currency (that is, assets and purchases equal liabilities and sales), it may nevertheless be exposed to exchange risk by virtue of unmatched maturing obligations creating periods of uneven foreign currency inflows and outflows. To illustrate, an institution may have a preponderance of maturing foreign currency assets or maturing contracts to purchase foreign currency, vis-à-vis maturing liabilities or obligations, to sell foreign exchange with a particular time interval. As such, the institution will be in a net long position (an excess of foreign currency cash) during the time period, and a decision must be made whether to hold the currency in the due from foreign bank account (nostro account), invest the funds short-term, or to sell the exchange either spot or forward for delivery at the time the gap begins and repurchase either spot or forward for delivery when the gap ends. This situation is referred to as positive gap, which exposes the institution to possible loss of income from holding idle funds where no investment or sale has been arranged or exchange losses if the currency depreciates. Conversely, the institution may be in a negative gap position where maturing liabilities or contracts to sell exchange exceed maturing assets or contracts-to-purchase exchange during a particular time period. This situation has liquidity implications in that the institution must either borrow the currency short term or be in a position to purchase (spot or forward) for delivery at the time the gap begins, and perhaps sell (spot or forward) for delivery at the time the gap ends.

Institutions should have firm policies on the maximum gap exposure permitted in certain currencies. The decision to close a gap when it is created, or to let it remain open for a time, will largely depend on money market interest rates as well as the difference between applicable spot and forward exchange rates (commonly known as the swap rate) or the deviations between two forward exchange rates. Potential movement in the swap rate (for the most part determined by interest rate differentials between the two countries) is the customary measure of profit potential or loss exposure during the period within which the gap exists.

In using this schedule, it is mandatory to complete a maturity distribution only for major currencies outlined in the Major Currency Position segment of this questionnaire. At the discretion of the examiner, currency positions enumerated in the Other Currencies portion of the Position Analysis form may be scheduled, if material. Show each currency on a separate form. Question #2 at the bottom of the form applies to all currencies so listed.

In arranging the maturity distribution, it is recommended that at least the first two weeks of activity subsequent to the examination start date be detailed on a daily basis. (In active departments, a daily enumeration for the first month following the examination start date may be appropriate). Thereafter, semi-monthly or monthly intervals may be used depending on the institution's method of pricing forward commitments and the volume of activity. Longer range maturates may be grouped by years.

The preparation of this schedule requires the inclusion of all ledger accounts comprising the currency position. Show ledger accounts not bearing a maturity date in the first day's maturates. Show spot contracts as of the date settlement is expected to occur. The total of assets and purchases (long), liabilities and sales (short), and the net amount of these two columns should correspond to the foreign currency amounts shown in the position sheet. Compare the net gap for each period to limits imposed by institution management. Further, review the cumulative gap position (the addition of gaps for each time interval) for conformance to policy and the incidence of excessive periods of positive or negative gap. Such events may require comment if potential exposure appears ill-advised from the viewpoint of possible losses and/or liquidity concerns.

As to the final three columns at the right hand side of the form, it will normally be unnecessary to complete a profit and loss revaluation on this form. However, if a position results in a material profit or loss, the examiner may wish to complete this portion of the report form. Refer to the example given in the Revaluation and Income/Loss Analysis schedule discussed below. Price future contracts at the given premium or discount rate. Price spot contracts and ledger accounts at the spot. When one or more rates are used to price a position at a point in time, type "various" in the Spot Rate column. All swap contracts should be removed before valuing the position since the profit/loss is fixed at the time of the transaction and reflected in the return on the asset for which the swap was effected. In any event, the schedule can be used as a workpaper to calculate the future profit/loss adjustment in the revaluation schedule.

INTERNATIONAL WORKPAPER

REVALUATION AND INCOME/LOSS ANALYSIS

The purpose of this schedule is to determine as of the examination as of date the unrealized profit or loss for the institution in connection with positions undertaken in foreign currency. The computation is based on the assumption that the entire position will be liquidated (that is, all long foreign currency positions will be sold and all short positions will be covered).

The primary input to this schedule is the position analysis schedule on this questionnaire. List each currency under the column "Monetary Unit." Insert in the "Book Value" column the institution's net position in the foreign currency amount and U.S. dollar equivalent less any swap contracts included in the position. (Refer to the following paragraph for an explanation of these transactions). Obtain the spot exchange rate from the Wall Street Journal or similar publications containing foreign exchange rates. Express the exchange rates in terms of the U.S. dollar cost per unit of foreign currency (that is, one Deutsche mark sells for $.4938) with the values carried to four decimal places or four-digit level of significance (one Japanese yen equals $.004560). Multiply the net amount of foreign currency by the spot rate to arrive at the current market value of the position. Apply the following rules when determining the spot rate profit or loss on each position:

1. Long foreign currency position combined with long U.S. dollar equivalent. Profit is excess of market value over book value; loss is the excess of book over market.
2. Long foreign currency position combined with short ( ) U.S. dollar equivalent. Profit is the current market value plus the short U.S. dollar book value.
3. Short foreign currency position combined with short ( ) U.S. dollar equivalent. Profit is the excess of book value over current market value; loss is the excess of market value over book value.
4. Short foreign currency position combined with long U.S. dollar equivalent. Loss is the current market value plus the long U.S. dollar book value.

Rules #2 and #4 refer to split positions previously mentioned in the instructions for calculating the net open position. Note in rule #2, the position can only result in profit, while in rule #4 the only possibility is a loss.

A financial swap is a combination of a spot purchase or sale of a foreign currency against a forward sale or purchase of the currency. By affecting the arrangement the institution effectively "locks in" the potential gain or loss from entering into a transaction involving the temporary movement of funds into another currency and back again. For example, the institution has an investment opportunity to lend 1,000,000 pounds sterling for three months. The institution will purchase necessary exchange spot for $1.8660 per pound sterling ($1,866,000) to make the loan. Simultaneously, the institution will enter into a forward exchange contract to sell 1,000,000 pounds sterling at the anticipated maturity date for $1.8690 per pound sterling ($1,869,000). Customarily, the institution will sell forward the expected interest income as well. Accordingly, the institution has realized a $3,000 profit on the transaction at the inception of the loan. Customarily, the profit (or alternatively cost) is applied to the rate of interest on the loan to determine the true yield on the investment. The profit (or loss) is accrued to income and expenses monthly. In these circumstances, it is inappropriate to allocate the profit to the exchange function. A review of the institution's records will facilitate the identification of swap transactions and, as previously stated, these amounts should not be included in the revaluation schedule.

Adjust the spot-rate profit (loss) for discounts or premiums on forward exchange contracts, which are included in the net currency position. A discount is a rate of exchange lower than the spot rate expressed in terms of percentage per annum or points on which a dealer buys or sells foreign exchange for forward delivery. For example, if a dealer quotes $186 and $191 (bid and asked) for spot sterling, and the discounts for six-month forward exchange contracts are .0300 and .0275, the forward quotes would be modified to $183 and $1.8825. In most cases, the discount reflects an interest rate differential in the U.S. vis-à-vis the U.K. although in periods of downward market pressure on a currency a discount may indicate market anticipation of a lower price for the currency. A premium is a rate of exchange higher than the spot rate. Again, interest rate phenomena and possibly upward market pressure will play a role in this situation. The premium situation works exactly opposite discount example. That is, premium quotes are added to the applicable spot rates quoted.

The calculation of future profit (loss) adjustments will require the listing of all contracts by maturity or value dates from near-term to longer-term. Certain contracts are made on an "option" basis because of uncertainty as to the date when foreign currency will be received or needed. In option contracts involving the purchase of exchange, list contracts with premiums at the earliest date and contracts with discounts as of the latest date. Conversely, show contracts involving the sale of exchange at premiums at the latest date and those at a discount at the earliest date. The format of the maturity distribution will depend on the system used by the institution in providing future rates. A summary of contracts on a monthly basis can be prepared provided the rates supplied by the institution are based on a monthly scale. If rates are on a semi-monthly basis, prepare the summary figures by the first and second halves of the month. To calculate the profit and loss on futures, the following rules apply:

1. A long position at a discount reflects a loss
2. A short position at a discount reflects a profit
3. A long position at a premium reflects a profit
4. A short position at a premium reflects a loss

In the absence of a significant profit or loss from the revaluation of the foreign currencies, it is not necessary to adjust book capital.

QUESTION 3 - SIGNIFICANCE OF PROFIT OR LOSS

In weighing the significance of profit or loss from foreign exchange operations, it is important to consider the amount in relation to the capital account of the institution, the volume of exchange activity, and the institution's history in sustaining profits and/or losses. The criteria enumerated as guidance in responding to questions 1a & b would also warrant consideration.

INTERNATIONAL WORKPAPER

INCOME/LOSS SCHEDULE

This schedule is relatively self-explanatory. Information required to complete the schedule should be readily available from the bank's financial records.

INTERNATIONAL WORKPAPER

POLICIES AND PROCEDURES

These nine questions discuss the institution's policies, reporting mechanisms, and procedures in relation to foreign exchange activities.

INTERNATIONAL WORKPAPER

AUDIT AND INTERNAL CONTROLS – AUDIT

This workpaper and the following one are designed to focus attention on the safeguards implemented by the institution through the audit function and internal controls. The questionnaire is designed for use in an institution with a relatively sophisticated trading operation. Therefore, the examiner must weigh carefully the recommendation of certain control or audit features which are cost ineffective. Nevertheless, the institution should implement protective devices such as separation of duties, test checking of transactions, and firmly established operating procedures to prevent irregularities or departure from accepted norms. In essence, the traditional rules of practice used in preventing undue exposure in domestic departments apply equally to the foreign exchange function. Concerns with the institution's international audit and internal control procedures may be brought forward to the ECC or RMA page, depending upon their significance.

INTERNATIONAL WORKPAPER

AUDIT AND INTERNAL CONTROLS – INTERNAL CONTROLS

This workpaper and the previous one are designed to focus attention on the safeguards implemented by the institution through the audit function and internal controls. The questionnaire is designed for use in an institution with a relatively sophisticated trading operation. Therefore, the examiner must weigh carefully the recommendation of certain control or audit features which are cost ineffective. Nevertheless, the institution should implement protective devices such as separation of duties, test checking of transactions, and firmly established operating procedures to prevent irregularities or departure from accepted norms. In essence, the traditional rules of practice used in preventing undue exposure in domestic departments apply equally to the foreign exchange function. Concerns with the institution's international audit and internal control procedures may be brought forward to the ECC or RMA page, depending upon their significance.

INTERNATIONAL WORKPAPER

PARALLEL-OWNED BANKING ORGANIZATIONS (PBO)

PURPOSE

The purpose of this schedule is to detail all of the information needed to ascertain whether a parallel-owned banking organization (PBO) exists.

WHEN TO COMPLETE

Complete this schedule when an individual, family, or group of persons acting in concert appear to exercise control, as provided in the "supervisory" definition of control for PBOs as detailed in the International section, of an institution in the United States and have an interest in a bank or bank holding company in a foreign country. Examiners should consider all of the issues detailed in the Parallel-Owned Banking Organizations page to ascertain whether a PBO exists. If the examiner determines that a PBO does not exist, the Parallel-Owned Banking Organizations page should be maintained in the examination workpapers to document the basis of the examiners' conclusion. If the examiner determines that a PBO does exist, the Parallel-Owned Banking Organizations page should be maintained in the examination workpapers unless an adverse trend is noted. The page should be included in the Report of Examination if any adverse trends are noted within the PBO relationship. Upon the examination's completion, the region should forward the Parallel-Owned Banking Organizations page, whether it is included in the Report of Examination or not, with a cover letter to the DSC Associate Director of the International and Large Bank Branch.

GENERAL

The FDIC typically does not request or review information on foreign banks or foreign bank holding companies during the examination process. If a PBO relationship is suspected, the examiner needs to request additional information to understand the ownership/control structure of the foreign entity. The information on the foreign bank and/or foreign bank holding company could include, but is not limited to:

- Shareholder list of the foreign bank and any of the companies that own/control it;
- Minutes of the most recent shareholder meeting;
- Annual Reports;
- Composition of the Board of Directors and executive management;
- Organizational chart;
- Web site addresses,
- Policies that the bank in the United States has been instructed to follow;
- Products or services that the bank in the United States has been instructed to offer; and
- Cross-border transactions or services.

ADDITIONAL LINE ITEMS

The examiner may add line items when necessary in each section of the page. The examiner should adjust the length of the page by moving the discussion of items 1 through 8 between the pages as needed.

BANK AND/OR BANK HOLDING COMPANY INFORMATION

The first section instructs the examiner to list the bank(s) and/or bank holding company(s) within the PBO. The examiner may need to add a row or rows to this table, copying the information requested for an entity in either the United States or in a foreign country into the new row. If a PBO has multiple banks or bank holding companies in the United States and/or foreign countries, the examiner may decide to limit the list. The examiner should footnote the schedule with the basis of any omissions, such as detailing only those organizations that regularly engage in transactions with the bank in the United States, and provide a list of those entities' names and the city and country in which they are located. The examiner also may want to footnote the schedule for any bank or bank holding companies that are wholly owned subsidiaries.

STOCK OWNERSHIP

Detail the stock ownership of the bank(s) and/or bank holding company(s) in the United States and in the foreign country that provide the primary nexus for the PBO. Since the nexus could contain more than one bank or bank holding company in the United States or in the foreign country, the examiner may need to add a row or rows to this table for additional entities. The examiner should list the name of the entity for which the beneficial owner(s) information is being provided after the space labeled "**U.S. Name**:" and "**Foreign Name:**" that is above the Beneficial Owner line. In addition, the examiner can add or delete rows within the table, depending upon the number of beneficial owner(s).

FACTORS CONSIDERED

Provide a response to each of the factors and/or attributes that are listed. If not applicable, so state.

SUMMARIZE THE EXAMINATION'S FINDINGS

Specify whether an affiliate relationship, as defined by the Federal Reserve Act and/or the Federal Reserve Board's Regulation O, exists. Cross-reference any concerns or criticisms here and on the appropriate report page(s), *i.e.*, the ECC; Item 5 (Bank Secrecy Act) and Item 6 on the RMA; Violations of Law and Regulations; and Relationships with Affiliates and Holding Companies. Send a written notification to the DSC Associate Director of the International and Large Bank Section. Refer to the International section of the Manual of Examination Policies for additional information.

FOOTNOTE

The aforementioned examples are for illustrative purposes and are not all-inclusive.

APPENDIX A – ABBREVIATIONS

The following are the principal abbreviations used in this Report of Examination.

et al	And Others
et ux	And Spouse
a/k/a	Also Known As
AA	Average Assets
AGI	Adjusted Gross Income
AL	Acres of Land
ALLL	Allowance for Loan and Lease Losses
AP	Accounts Payable
APBO	Accounting Principles Board of Opinion
AR	Accounts Receivable
ARM	Adjustable Rate Mortgage
AV	Appraised Value
BHC	Bank Holding Company
BSA	Bank Secrecy Act
BV	Book Value
CA	Current Assets
CD	Certificate of Deposit
CL	Contingent Liabilities
CLOC	Commercial Letter of Credit
CPA	Certified Public Accountant
CSV	Cash Surrender Value
CT	Certificate of Title
d/b/a	Doing Business As
DPC	Debts Previously Contracted
DT	`Deed of Trust
EDP	Electronic Data Processing
End	Endorser or Endorsed
EV	Estimated Value
F&F	Furniture and Fixtures
FA	Fixed Assets
FASB	Financial Accounting Standards Board
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FS	Financial Statement
GP	General Partner
GNMA	Government National Mortgage Association
Gty	Guarantor or Guaranteed
Inc	Incorporated
ISF	In-Substance Foreclosure
JM	Joint Maker
JV	Joint Venture
LOC	Line of Credit
LP	Limited Partner
LS	Livestock
M	Thousands
M&E	Machinery & Equipment
MBS	Mortgage-Backed Security
Mdse	Merchandise
MM	Millions
MMDA	Money Market Deposit Account
Mtge	Mortgage
MV	Market Value
NI	Net Income
NIM	Net Interest Margin
NOI	Net Operating Income
NOW	Negotiable Order of Withdrawal
NP	Notes Payable
NR	Notes Receivable
NW	Net Worth
OA	Other Assets
OD	Overdraft
OH	Overhead
OL	Other Liabilities
ORE	Other Real Estate
OS	Operating Statement
PL	Prior Lien
PLLL	Provision for Loan and Lease Losses
PORE	Potential Other Real Estate
PPD	Prepaid
PV	Par Value
ROA	Return on Assets
RBC	Risk-Based Capital
REM	Real Estate Mortgage
RSA	Rate-Sensitive Assets
RSL	Rate-Sensitive Liabilities
RE	Real Estate
SA	Security Agreement
SBA	Small Business Administration
SFAS	Statement of Financial Accounting Standards
SFR	Single-Family Residence
SLOC	Standby Letter of Credit
TA	Total Assets
TE	Tax Equivalent Basis
TL	Total Liabilities
UBPR	Uniform Bank Performance Report
UCC	Uniform Commercial Code
VA	Veteran's Readjustment Act
WC	Working Capital

APPENDIX B – REPORT OF EXAMINATION GRAMMAR AND PUNCTUATION GUIDE

The general rules and standards contained in this appendix are applicable only to the Report of Examination. The rules and standards cover matters commonly encountered in examination report comments and are intended to promote consistency therein. The general rules are not a substitute for writing and grammar guides. Refer to those resources for formal guidance.

HYPHENATION – ADJECTIVES AND ADVERBS:

General Rule: Hyphenate connected words that function as adjectives or adverbs if they occur before the word they modify.

Do not hyphenate connected words that function as adjectives or adverbs if they occur after the word they modify.

Examples:

A full-scope, on-site examination began on June 30.
June 30 is the date the examiners arrived on site.

The loan is secured by a single-family residence.

A 50-unit complex was for sale.
The apartment complex has 50 units.

HYPHENATION - PREFIXES:

General Rule: Words containing prefixes generally do not require hyphens. Include the hyphen after the prefix if not doing so would cause confusion in sound or meaning.

Examples:

nonaccrual nonperforming subtotal

HYPHENATION - COMPOUND VERBS:

General Rule: Compound verbs can be separate, solid, or hyphenated. If you do not find a compound verb in a dictionary, write the components as separate words..

Report standards:

charge off paid off write off/ up/ down

HYPHENATION - COMPOUND NOUNS:

General Rule: Compound nouns may be separate, solid, or hyphenated. If you are not certain whether a compound word should be hyphenated, check a dictionary. If you do not find a compound noun in a dictionary, hyphenate the components.

Report Standards: charge-off pay-off write-off/-up/-down examiner-in-charge

HYPHENATION – SUSPENDING HYPHEN:

General Rule: When a series of hyphenated adjectives has a common basic element, and this element is shown only with the last term, insert a "suspending" hyphen after each of the incomplete adjectives to indicate a relationship with the last term.

Examples:

long- and short-term securities
1- to 4-family housing
private- and public-sector partnerships

CAPITALIZATION:

General Rule: There are numerous exceptions and options to basic capitalization rules. **The most important rule is to be consistent throughout a Report of Examination.** Examiners may deviate from the following standards as long as they are consistent throughout the Report.

Report Standards: Do not capitalize "bank" unless it is used with the full name of the institution.

Capitalize "Board of Directors," "Board," or "Directors" when referring to a specific board.

Capitalize "Call Report," "Call Report Instructions," and "Consolidated Reports of Condition and Income."

Do not capitalize "examiner-in-charge" unless it is followed by a specific person's name.

Capitalize account titles (for example, "Other Borrowings").

Capitalize only the word "Federal" in Federal funds sold or purchased (unless referring to an account title).

Capitalize "Regional Director" and "Regional Office."

Capitalize "Report of Examination" and "Report" when referring to a specific report.

Capitalize "State" or "Federal" when referring to a public agency or entity, otherwise, do not (for example, "State law," "Federal law," "State regulatory authority," "state nonmember bank," or "state certified appraiser.")

Capitalize "Substandard," "Doubtful," "Loss," and "Special Mention" when referring to asset classification titles.

Capitalize the titles of formal institution policies (for example, "the Loan Policy" vs. "a loan policy").

Capitalize the titles of specific institution committees (for example, "the Audit Committee").

Capitalize complete titles of ratios. Do not capitalize ratios which are abbreviated (for example, "the overhead ratio").

DATES:

Report Standard: A comma precedes and follows the year when the month and day precede the year. However, when the date consists only of month and year, commas are not necessary.

Examples: The examination that began on December 2, 1998, was completed in two weeks.

The report is due in January 1999.

NUMBERS:

General Rule: Write out numbers below 10. Use figures for numbers 10 or above.
Regardless of the number's size, use figures if they are followed by a unit of measure.
Write out numbers that begin a sentence.
If a sentence begins with a very large number, rewrite the sentence.

Examples: The bank employs five people.
The examiners cited 14 deficiencies.
7 acres of land
Twenty-six examiners attended the field office meeting.

SPELLING:

Report Standards: installment totaling totaled